

# 2010 Supplemental Budget Reduction Proposals

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## **Introduction:**

We, as a university, face the challenging of presenting budget proposals that are completely transparent but that also meet the varying information needs of many audiences within the university. And, outside the university. Not enough detail and transparency suffers. Nothing but detail and the underlying, driving strategies and assumptions cannot be accurately inferred.

We can always do better and, with your constructive criticism, will continue to do so year after year. Here, we address the challenge through use of hyperlinks that allow you to drill to the level of detail most appropriate for your purposes.

A “strategic overview” follows this introduction. That may be sufficient for you. Want to get into various vice presidential areas?: each begins with a strategic overview relevant to the responsibilities and proposals from that area. Keep on clicking, and you will get to the line items – the same level of detail available to the president, Vice Presidents and Deans, the University Planning and Resources Council, and other campus leaders most directly involved in preparing budget recommendations.

Our budget, at the level of line-items, can run to the size of a book. ([That budget](#), always available to the campus and the public every year, runs to 280 pages for the current fiscal year.) Comprehensive and detailed examination of the entire operating budget takes place early in the process and at the level of [planning units](#). That essential, and most critical stage is now concluded. From those efforts, various proposals have emerged.

To focus attention most effectively on the narrower choices that remain, Western employs an approach called “sources and uses.” For, those unfamiliar with that approach and who may wish help with terms like “recurring” and “nonrecurring,” [explanation is available here](#). For those who would like a refresher on just where we are in the budget process, that [is also included](#) as part of this report to campus.

This is confusing stuff. We have a [forum available](#). Please, if something is unclear, use the forum; the Office of Budget and Planning Office will endeavor to clarify. If something seems unwise, certainly use the forum to share that evaluation as well; we all will have the benefit of your assessment.

And now, to get to the 2010 Supplemental Budget Reduction Proposals. We begin with an [Institutional strategic overview](#).

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## Institutional Strategic Overview

We first developed a budget for 2010-11, working intensely last spring. That was the second year of a biennium in which the university's state support was cut by \$44,000,000. After tuition increases and stimulus funding, the net reduction was \$25,000,000. Split between the two years, we had to cut \$12,500,000 in 2009-10, the same cut carrying over for 2010-11.

When it came to actual annual operating budgets and across all the university, the effective cut was \$6,075,875. (The steps by which the university decided to reduce the effect on operating budgets to about half the actual \$12,500,000 cut are summarized in *Table 1* of the [report distributed to campus](#) last year.)

Those cuts to the current biennial budget were explicitly driven by strategic priorities within planning units. Cuts also were not across-the-board, beginning with different initial targets by area and then, after budget additions were considered, having net effects ranging from cuts of 0% to 100%. All that not with standing, risks were taken and demonstrable damage occurred.

Then, the state's budget situation worsened. We are now required to add a cut of \$4,400,000 to that reduction of \$6,075,875 previously and painfully determined. The new cut consists of \$3,000,000 that is base budget or "[recurring](#)" and \$1,400,000 that is one-time or "[non-recurring](#)."

The one-time obligation follows from the need for savings through furloughs or other means. The question of furloughs are very important to us all, and campus preferences, ideas, and plans are being addressed through a separate process. One-time savings do not raise the same strategic questions, though, as do base budget cuts, and it is those recurring cuts that this report focuses on.

The 2010-11 fiscal year begins in less than 3 months. Our Board of Trustees must approve our 2010-11 operating budget prior to that time. So, our own budgeting efforts began many months ago, necessarily having to guess at where our legislature might end up. The process we followed is summarized [here](#).

That additional base budget cut increases the effective cut to the 2010-11 operating budgets by 50%: from \$6,075,875 to \$9,000,000. That is huge. But, so was the state's budget challenge. Hard as it may seem to be thankful, we do need to appreciate the positive steps the legislature and Governor took. Without those steps, our situation, and the state's situation, would be much, much worse. Those tough, even courageous, actions include:

- Raising additional revenue of nearly \$800,000,000, an essential but politically costly and fiscally challenging task to which our legislature devoted great and necessary effort.
- Largely funding the State Need Grant, a program of need-based financial aid critical to Western students (and students across the state: baccalaureate or 2-year; public or private).
- Supporting the state component of work study. This, again, provides important assistance to our students but, also, about \$330,000 to those departments across campus who depend upon work study students.

“Strategic” is a word that probably gets overused in budgeting and planning. But, it is an essential orientation that, in application, is really much more simple and unpretentious than those who like to throw the word around might have you believe. It means not much more than beginning *not* by looking at choices but, first, by understanding and making explicit assumption about the external environment: looming threats, possible opportunities. Then, looking internally to come to understandings (and agreements) on particular university strengths and challenges. Then, budget and planning options are evaluated within that analytic context. To the extent a proposal is responsive to, follows from, or takes advantage of such internal and external understandings, it is “strategic.” Nothing fancier than that. And, that is how we use the term throughout this report on 2010-11 Supplemental Budget Proposals.

So, the process began with a university level analysis of the external and internal environments. After campus feedback and improvement, [those university-level analyses](#) were made a part of the budget planning guidelines. Then, each planning unit prepared supplemental analyses relevant to their particular situation. Those analyses of internal strengths and challenges and external threats and opportunities [are also available](#).

Environments – internal and external – are always changing. So, published analyses such as those just cited are a snapshot of best understandings at the time of publication. Strategic also means being sensitive to shifts in the world around us. Fortunately, while the budget process was underway, we also were conducting “100 Conversations” around the state, across the country, and with groups of neighbors, students, alumni, donors, and parents as well as leaders on campus, in local and state government, in the media, among communities of color, for organized labor, in the private sector, and in the not-for-profit sector. Faculty, staff, and students will be engaged in figuring out what the “findings” might mean for our future directions but, fortuitously, these data also helped to reaffirm but also sharpen much the earlier environmental assessments.

The richness of the thinking is best illustrated by analyses within the vice presidential areas as well as for those proposals that do not fall within a single planning unit. Those analyses are up next in this report to campus. Here, at the 30,000 foot-level, several strategic considerations drove the formation of the proposals now before the campus. These are:

- We have been through two increasingly tough years. Three more lie ahead: 2010-11 and then the 2011-13 biennium.
- The silver lining of being the state’s “rainy day fund,” if there is such, is that Washington, unlike many states, does reinvest in higher education when the rain stops.
- Our strategic choice, at the highest level, is, then, rather simple:
  - Assume the cuts taken to date and those predicted for 2011-13 are part of a continuing spiral down. Make the cuts necessary to drive us toward the mediocre level of quality that, over decades ahead, such state funding would only support.
  - Under the same assumption, shrink the university to a size that can support premier quality at projected levels of support and, in so doing, become a university with a very different mission and composition: e.g., half our size or smaller with a largely liberal arts orientation.

- Assume Washington will reinvest when persuasive opportunities are present and so we make cuts strategically but also seek revenues that maintain the capacity, across the next three years, necessary for Western to continue to be the premier university that it currently is widely acknowledged (think those “100 Conversations”) to be.
- We chose the third approach. So, our focus must, then, be on the immediate future. That means, among other things:
  - Preparing budget proposals for 2011-13 that, paradoxically, propose budget additions that are responsive to state needs. (That sharpens our own thinking and preparation in advance of the “rain stopping” and makes clear the opportunity losses of further cuts in 2011-13.)
  - Seeking opportunities to increase revenue. When looking at our total budget, state general fund support is now down to about 20%. We have been forced to be ever more oriented to the needs of those who could write their checks to someone else. Exploration of additional revenue possibilities are found throughout the proposals that are a part of this report to campus.
  - Already leading the nation in efficiency as a group of public baccalaureates, looking again at ways to become more efficient.
  - For the immediate future and where contractual obligations permit, shift responsibilities to less well qualified but less expensive personnel: e.g., shift to para-professionals where a professional position had been relied upon.
  - Most immediately at risk to our reputation for premier programs is our ability For the immediate future, class access loomed as the greatest threat to our ability to attract top-notch students. Increasingly and being heard in audiences across the state, there are reports of serious fears about the ability of Western students to graduate in a timely fashion.

What do prospective students and their families do in such situations? They do not complain to the legislature. Such matters are far too important to a family and far too immediate in impact for anybody to think the legislature might be helpful. People stop coming. If that current perception of Western as a hard place to get classes were to persist or get worse, we very quickly would be back in the ranks of the average regional university trying to be heard in a sea of mediocre competitors. Even in these very challenging budget times, maintaining access to classes became a top priority for the deans, provost, and presidents as the proposals now before you were formulated.

When all is said and done, the proposals that comprise this report role up this way:

- Possible sources from planning units: \$4,ddd,ddd
- Possible other sources: \$2,ddd,ddd
- Possible recurring uses: \$,4,ddd,ddd (includes 2010-11 supplemental base budget cut).

Our task next: to balance the budget by selecting source and uses from all those proposed so that total selected sources equal total selected uses. .

There is a glimpse at the 30,000 foot level. Still hanging in there? Then, overviews by vice presidential area are [available next](#).

<End of Strategic Overview Web Page>

## **Proposals by Vice Presidential Area**

The links that follow lead to budget proposals by vice presidential areas.

### **Sources**

- A. Academic Affairs**
- B. Business and Financial Affairs**
- C. Student Affairs**
- D. University Advancement**
- E. University Relations**
- F. Institutional Accounts and President's Office**
- G. Sources Not from Planning Units**

### **Uses**

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<End of proposals by vp area web page>

## **Background on Sources and Uses**

There are many ways to approach effective budget decision making. The simplest, and perhaps most common, is to work from the full, line-item budget. Ultimately, that document must be built. But, it is not an effective tool for effectively directing the thinking of those most of us who do not live and breathe budgets. For an institution as complicated as Western, that line-item budget is telephone book size. That is not “user friendly.”

For the second year, we are seeking to focus your attention and your help by using a different approach to decision making. It is called “sources and uses.” “Uses” are possible new expenditures. “Sources” are the ways in which uses could be funded: in times like this, new revenues or budget reductions.

They come bottom up from 16 planning units. That’s where all that “telephone book” detail gets thoroughly considered by those most knowledgeable about specifics of budget lines. In a bottom up process, at this stage we all see the results of those efforts. And that is why, in any such budget process, the most important contributions happen at the beginning where everything can be open to be considered. And where each of our particular insights can be most effectively applied.

There are matters that do not come up through planning units or that encompass some or all planning units. For months, the president and the vice presidents have been receiving suggestions and trying to think through other possibilities to save funds. Many, many items were analyzed using the help of the Office of Budgets and Planning. As with planning units, choices were made as to those possibilities most worthy of wider campus consideration and they are included in budget possibilities that follow.

Several “uses” are not really university uses in the normal sense. Actually, they are the budget cuts coming from Olympia and for which we must find “sources” to fund. So, odd as it may seem, they end up on the “uses” side of the ledger. Sort of like characterizing as an “investment,” that bill from the dentist for a root canal.

For those also wishing a primer on one other piece of jargon we cannot avoid, please review the brief section on [“recurring and nonrecurring”](#) budget lines.

**<End of Sources Uses Background Web Page>**

## **A Bit More Jargon**

One final nuance: Universities have dollars in two flavors: one-time dollars and base-budget dollars. We also, interchangeably, use “non-recurring” for one time dollars and “recurring” for base budget dollars.

Basic difference: one-time dollars, when spent, are gone. They come from things like salary savings if a position is temporarily vacant or, say, end-of-year balances. Recurring budget lines – say, a personnel line – replenish at the beginning of each budget year (Olympia willing).

One basic budgeting principle: we cannot making recurring commitments using one-time dollars. Why? Because, the budget obligation keeps coming back, year after year, while the one-time dollars, once spent, do not.

So, we have to keep recurring and non-recurring dollars separate lest we make fiscally indefensible commitments.

We get into this nuance because the supplemental budget cut is a mixture of both one-time and recurring cuts. It is mostly base budget (recurring) cuts that we must make and that has been our focus. But, the idea of furloughs introduces the need for one-time savings. Furloughs are temporary (we trust). The dollars saved are one-time. And, it is one-time dollars that Olympia requires us to find, be it through furloughs or some other means.

So, most of the tables that follow address base-budget or recurring sources and uses. In the interests of transparency – and informed engagement in a key decision we soon have to make as a university regarding furloughs – there are also some lines on one-time or non-recurring sources and uses.

<End of Jargon Web page>

## Where are We in the Process and Where are We Headed?

Most of the work had been done and done at the level of the planning units, following [guidelines](#) and a [timeline](#) that were collaboratively developed and distributed earlier.

Among [planning units](#), early in the process, is where there is the largest and most meaningful opportunities to shape the final results. We can, must, and will continue to improve the effectiveness of that “bottom up” approach but, now, we are nearing the end of the process. What you are now seeing on these web pages are the results of those efforts within planning units.

In the detailed tables, there are two 2010-11 columns for each use and for each source: “Possible” and “Recommended.” We are at the stage of budget presentation so the “recommended” entries are almost all blank. **That means, at this point, nothing has been decided.** These are proposals, possibilities to consider.

Right now, we are at the stage of understanding proposals. The next step will be open budget presentations where the goal will not be to judge, it will be to comprehend. For those presentations, [attendees](#) include planning unit leaders are joined by governance leaders. And, those budget presentations will be audiocast live and archived for review at your convenience.

Eventually and after feedback, a draft budget will be proposed. That is when some of the “recommended” column entries begin to be filled in. That will be achieved through an iterative process: starting with necessary uses, looking at least damaging sources, and continuing until any further optional uses are not justified by the damage that would be done through going after additional sources. It lets all of us weigh various alternatives, weighing need, damage, and risk at the margin.

That draft set of recommendations – prepared by the deans, vice presidents, and president all working together around a table -- will then come back to you for advice and comment. After receiving that assistance, the President will then complete his obligation to recommend a 2010-11 Supplemental Operating Budget to our Board of Trustees. They will then decide.

Please also understand that budgets and budgetary decision making is always a moving target. What you see on the web is our best understanding of the current situation. That will change as circumstances shift , understandings improve, estimations and projections become more precise and, possibly, as mistakes are found.

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<End of Process Web Page>

## SOURCES

Sources fund uses. In a budget cutting situation, sources would be the possible cuts and the possible increases in revenues that could be used to meet the budget cuts.

In our approach, we do not show all sources, just “new” sources. So, although it is available elsewhere [<link to OPB home page>](#), we do not clutter this presentation with all revenue streams. Rather, what you see are the additional sources that planning units have proposed for consideration after they have more comprehensively pondered that broader budget picture. Also included are the sources that central leadership have brought forward for the campus to consider after weighing many ideas that arose outside of planning units and that may also span planning units.

[Paula: this is just a definitional page. There is no link from it to any table]

## SOURCES NOT FROM PLANNING UNITS

### Background

Not all sources for addressing budget needs can come from planning units. There are parts of the budget that are not within planning units: the university's recurring contingency fund is an example. There are possibilities that span all planning units: furloughs and rates charged auxiliaries for "overhead" are examples. There are significant administrative reorganizations that involve a subset of planning units: combining administrative units would be an example. And, there are possibilities that would focus severe "vertical" cuts within a single planning unit but that, at the relatively less severe cut levels planning units were asked to consider would be unlikely to emerge as a proposal from that planning unit.

Our process for such "non planning unit" matters, beginning back in December, had the president and vice presidents, meeting to discuss possibilities. We took ideas we had received via email or on forums, that were suggested by deans, that we heard in meetings with the UPRC and other groups, and that were brought up in meetings with governance leaders. And, we spent a lot of time racking our own brains. Ideas – even some that seemed initially far-fetched – were turned over to the Office of Budget and Planning to work on budget consequences. And then, discussed, further analyzed, and discussed again.

Over, perhaps, a dozen discussions, ideas were added, evaluated, and sharpened as a list first grew. Then, as consequences were thoroughly weighed, the list was narrowed to those seeming most appropriate for campus consideration. Here, for these broader and usually institution-level matters, the president and vice presidents operated, essentially, as an additional planning unit: looking broadly and then focusing on particular sources most worth further serious consideration.

### Strategic Overview

At one level, the discussion of these possible sources was driven by one very simple consideration.

Total cuts that planning units were asked to consider just about equaled what we were guessing the final cut could be. What *other* things could be responsibly put on the table so that the actual cuts to planning units might be less than what they were bringing forward?

Casting a wide net initially, the strategic considerations came in as the list was narrowed. The large number of ideas evaluated fall within 5 basic categories:

1. [The net revenue impacts or cost savings of institution-level approaches to enrollment management and tuition.](#)
2. [Possible "administrative bloat."](#)
3. [Institutional overhead.](#)
4. [Major administrative reorganization](#)

5. [Vertical Cuts](#)

Details on sources not from planning units are available here. <link to non planning units sources spread sheet>

[RETURN TO PROPOSALS BY VICE PRESIDENTIAL AREA](#)

<End of Non Planning Unit Sources web page>



## Net Revenue Implications of Options for Enrollment Management and Tuition Practices.

Many questions were asked and evaluated regarding enrollment management and tuition practices. Some resulted in proposals for the campus to consider. Some did not. They are as follows:

1. What would be the consequences of reducing enrollment?  
**Answer:** Severe. Because of dependence on tuition, a budget reduction of 5% would lead to an enrollment reduction of about 20% before marginal cost and revenue are back in line. That reduction saves nothing until we cut personnel; logically, those cuts would fall where costs are directly related to size (e.g., faculty lines); and, while there would be fewer students, there would be fewer classes, much more limited curricula, and fewer of us. This possibility did not make it to the list of possible sources brought forward for campus consideration.
2. Would the addition of more students actually, after covering cost consequences, create a “savings” that could be used to address budget needs?  
**Answer:** A bit surprising: additional tuition revenue would more than cover, at the margin, the increases in faculty FTE necessary to keep the student SCH/Faculty FTE ratio constant and the access to student and academic support services at current levels. As a possibility, would need to be much more fully developed than we were able to and strategically targeted with wide campus discussion and a multi-year implementation plan. Still, we kept it on the list as a “thought experiment” for the campus to further think about.
3. What would be the net revenue effects of offering incentives to those out-of-state students who have already applied for Fall, 2010?  
**Answer:** There would be a positive net revenue effect but only if it is a shift in composition of a total enrollment that remains the same size as it is today. Were these enrollments added on top of current enrollment, then the additional costs of serving these students would have had to be covered.
4. What would be the net revenue effects beyond Fall, 2010 if we invested in more out-of-state recruitment?  
**Answer:** Slightly positive during first year (admits for Fall, 2011) but would significantly cumulate over years as students admitted Fall, 2011 return Fall 2012, .... Estimates assume, again, a shift in enrollment composition but not a growth in enrollment.
5. What would be the cost savings of taking fewer transfer students and, in their place, take an increased number of first year students?  
**Answer:** Some savings because costs of teaching upper division classes are much higher than costs of teaching lower division classes. We do not have much room to operate here as we already depend predominantly on first-year admits and to further reduce transfer admits moves in a direction opposite strategically important relationships we are building with colleagues in two-year institutions.

6. What would be the consequences of reducing the current level of tuition waivers that we currently provide?

**Answer:** There appear to be some opportunities to reduce tuition waivers that, when considering the broader (and recently brighter) financial aid picture, would not affect current ability of university to support need-based access.

7. What would be the net revenue consequences of increasing 2010-11 tuition for those three categories of tuition that our Board, without legislative approval, can set (resident graduate, non-resident graduate, non-resident undergraduate)?

**Answer:** Current students paying these tuitions and who are not receiving some kind of waiver are quite small in number; consequently, total revenue possibilities are small. Because these tuitions are already above national averages, further increases might, actually, lead to a net revenue decline as the revenue from the tuition increase is more than matched by the revenue lost if student numbers in these categories were to modestly drop. Consequently, these potential sources were not brought forward as possibilities for the campus to further consider.

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<End of EnrollmentManagementTuition Web page>

## Possible Administrative “Bloat”

When it comes to looking for ways to reduce administrative overhead, it is a “good news, bad news” story. The good news is that, in degree productivity and cost per degree, Washington’s six public baccalaureates lead the nation. And, in state cost per student and in tuition costs per student, we are way below the national averages. This was [clearly evident in nationally respected data](#) collected *before* these six Washington institutions absorbed some of the very highest budget cuts in the nation.

The bad news?: that significant savings remain to be found at universities that lead the nation in efficiency is likely an exercise in “magical thinking.” Still, we continually look for efficiencies and that, again, was an approach we took very seriously in preparing the 2010-11 supplemental budget proposals.

Early in the Fall and in preparation for better-informed budget planning, we asked Institutional Research to look at our administrative cost structure relative to peers and using the best national data available – IPEDS data. This was prompted, in part, because the IPEDS reports, using aggregate data and released last fall had Western appearing to be spending more on administration than was the case for peers.

The report from Institutional Research is [available on the web](#). Because Western is also larger than the peer average, the effects of size were first removed by looking at costs per student credit hour. Institutional Research then cut more finely into the subcategories of administration.

When looking at subcategories of administration, several findings stand out:

- In one category (“Executive, Administrative, Managerial), Western is *below* peers in costs.
- In only one category are we above peers and there the difference is significant. That is the category IPEDS (inappropriately in our view) labels “non-professional” and includes clerical and secretarial as well as service/maintenance and technical/paraprofessional.

This later finding may well be, significantly, an artifact of the fact that we are one of unusual universities of our type that is not a part of a system, and IPEDS data does include, for those in systems, the costs of the many functions picked up by systems: e.g., construction management, bonding, internal control, auditing, legal services, representation in the state capitol, Governing Board support, ....

We also are aware that many of these types of positions serve administrative support for departments, for lab preparations, and such, and are highly valued at the departmental level. We do need to trust “bottom up” decisions within planning units as regards such commitments. So, at the current level of supplemental cut, no “top down” possibilities to require frontline administrative support reductions appear among possible sources.

Still, IPEDS data are problematic, mixing as they do apples and oranges, and better understanding our cost structures relative to our peers remains an active and important priority for all of us, including our Trustees – e.g., in our shift, now underway, to cost-based accounting. As future budgets are prepared, the issues of administrative costs will continue to be an important focus: at the university level, yes but also, as importantly if the IPEDS data are correct, at the departmental level as well.

[RETURN TO NOT FROM PLANNING UNITS SOURCES](#)

<end of bloat web page>

## **Institutional Overhead**

Buildings have to be cleaned, light, and heated; books must be responsibly kept; libraries made available; the campus kept safe and attractive; and a myriad of other overhead responsibilities. We looked at two ways in which that institutional overhead is recovered.

Grants and contracts typically include charges for “returned institutional overhead.” These rates are set through thorough federal audits and are not, themselves, subject to unilateral adjustment. But, over the years, we at Western have come to direct these funds to specific purposes rather than to return them to the institution for very real overhead expenses. We did analyze taking a percentage of this returned overhead and use it as a source to cover current budget challenges.

Those dollars are currently flowing to support specific programs and initiatives. Taking an “institutional slice” off the top would have consequences down the line for those efforts. After considerable analysis and discussion, we thought it better to let the planning units involved decide. No centrally imposed recapture of “returned overhead” is proposed at this time.

Still, we did conclude that it would be sounder fiscal management if, in the future, we moved away from the current approach. Dedicated funding sources is generally a poor approach to budgeting. Better to fund uses like any other (where budget evaluations and decisions can be made transparently) and include returned overhead as a university-level source. Unfortunately, this is not an opportune time to make such a shift as returned overhead is in decline, yet another important matter to address (and that is partially addressed under proposed uses.)

We also charge auxiliaries for institutional overhead. Auxiliaries are those parts of the university that are expected to generate revenues sufficient to cover costs. The more we looked into it, the more complicated the picture became. But, Olympia needs dollars and every option has a down side. So we proposed the possibility of a rate increase lower than where we suspect the university needs, eventually, to be, but also committed to systematically study the situation of each auxiliary and the considerations that would go into a defensible policy on setting these rates.

We included a third possibility that, loosely, might be called “overhead.” The university maintains a recurring contingency fund. These are the funds that, each year, are budgeted to protect against the unpredictable: roof leaks, unanticipated fees or settlements, one-time costs like those, say, associated with institutional accreditation, .... In a sense, it is an institutional overhead “insurance policy.”

The amount is relatively small as a percentage of our budget. Consequently, a permanent reduction in the contingency fund does increase institutional risk should we have a significant catastrophe.

Our practice has been, about half way through the fiscal year, to look at the balance in the recurring contingency fund and, if fiscal considerations seem propitious, to distribute half to vice presidential areas. These areas have established priorities and report back on their use of these one-time funds. Most years, this proves possible to do. So, an additional consequence of reducing the recurring contingency fund would be to reduce such possible (but not guaranteed) mid-year distributions.

Risks do abound in times such as this. So, a permanent reduction in the recurring contingency fund is among the possible sources the campus is asked to consider.

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<end of institutional overhead web page>

## **Major Administrative Reorganization**

Administrative reorganization goes on all the time. There are examples to be found in the 2009-11 budgets and that were taken to reduce costs. These, though, are reorganizations within planning units. How about reorganizations involving the major units of the university, the planning units themselves?

Several have been suggested by campus colleagues. Taking those seriously, we also thought more broadly. The president, working with one or more vice presidents (depending on the proposal), did consider a number of reorganization possibilities. One or more of those considered would seriously change every vice presidential area and, on the academic side, a majority of the colleges would have changed. Some of these were further evaluated by the Office of Planning and Budget to estimate budget savings.

Reorganization means more than dollar savings. Emotions are seriously affected: allegiances, affiliations, sense of worth and priority – internally among us and externally among those who care about and support the university. Consequently, the evaluations were done confidentially, as [our practices currently provide](#).

While needing to respect that confidentiality, the basic problem turned out, in various guises, to come down to this. Simple administrative shifts (rearranging boxes), has the fewest problematic consequences but also saves very few funds. Significant savings can be achieved only by going line-by-line, stretching services and eliminating curricula – and the positions associated with those programmatic amalgamations. One consequence of this deeper merging: important parts of the university, de facto, cease to exist or are fundamentally (and negatively) changed.

At the current levels of budget reductions, the president's conclusion was that such major reorganizations, if done superficially, do not generate savings that would warrant the costs that arise and, if done at a deeper level, are tantamount to eliminating programs and functions that remain critical to the future of the university over the longer term. Savings from such major reorganizations do not appear among the sources not from planning units.

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<end of Major Administrative Reorganization web page>

## Vertical Cuts

In email and conversations with other groups, we were encouraged to look at vertical cuts that might not emerge, unprompted, from planning units. That we did.

Vertical cuts in academic and non-academic areas were considered. The challenges in non-academic areas involve outsourcing and, as discussion and thinking progressed, the conclusions have been reported in a recent [blog entry by Bruce](#).

Over months, we also went through an intellectual journey on “vertical cuts” as we looked at numbers and considered possibilities. Since the belief persists that vertical cuts are a less damaging way to go, we encourage the campus to think this through further. It is clearest when looking at potential vertical cuts in academic programs, and that is what we mostly heard should happen – happen not because folks want to eliminate programs but, rather, because of the widely shared and most important desire: protecting the quality of what we do do.

When it comes to protecting the quality of what remains by making vertical cuts, we have already demonstrated our willingness to do precisely that. That willingness remains just as strong. And, specific academic programs have been confidentially considered for elimination. But, it does get complicated.

- With tuition now supporting most of our operating budget, we must include tuition revenue consequences of vertical academic program eliminations.
- When so doing and at the margin, tuition foregone equals the cost savings in abolished faculty lines and savings from reduced impacts on academic and student support services.
- So, there are only net savings if we vertically cut the more expensive programs. *Cutting programs with below average expenses actually makes the budget problem worse.* Put differently, if we wanted to protect more expensive programs (and such protection seemed most often the entirely reasonable motives behind the calls we heard for vertical cuts), then we need to *grow* (rather than eliminate) less expensive programs.
- This all assumes we could eliminate all faculty lines associated with a vertical cut. The president has said we will not eliminate any occupied tenured positions and will do all we can to protect occupied tenure track positions. Suppose we ignore the president’s position in order to make the foregoing work. We are still in the predicament of only realizing savings by cutting higher cost programs. But, to do so, we would have to have our Board declare financial exigency. Only then could be layoff tenure and tenure track faculty (and with a lot of other required procedural matters also having to be addressed). Looking around the country, only universities on their last legs declare financial exigency and to do so at Western would severely damage EVERY program for decades to come.
- So, make vertical cuts but hang onto tenure and tenure track faculty. Then, because savings are significantly reduced by keeping the most expensive faculty while tuition foregone remains much the same, net savings accrue only if it is the very, very most costly programs that are cut. Such possibilities, the president and vice presidents decided should not go on the Sources list.

All this may sound like Western is immutably committed to perpetuating the status quo. Not at all and that is also part of the intellectual journey we made as we took seriously the need to examine vertical

cuts. We found about a dozen academic programs that can be cut simply because they have no students in them. The campus has procedures for considering getting those programs off the books and those steps will be initiated by the Provost.

Having no students also means having no resources so elimination means no cost savings. But it is evidence of a very healthy academic enterprise where, almost course by course and faculty member by faculty member, our curriculum continually evolves, adapts, and stays current. As new courses – then, eventually, majors – are brought forward, other courses fall by the wayside and majors are no longer used. That, (bottom up rather than top down vertical cuts) is how a university best protects its continuing academic vitality.

[RETURN TO SOURCES NOT FROM PLANNING UNITS](#)

<End of vertical cuts web page>

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## USES

### **What are Uses?**

Uses are possible ways to allocate funds. In our approach to uses, we do not include all that the university does. Rather, the focus is on “new uses.” These are possibilities not currently funded.

### **Strategic Overview:**

In good times, uses would consist of proposals from planning units for initiatives requiring additional funding, those proposals being responsive to strategic direction given through budget planning guidelines.

These are not good times. The only reason we are going through a 2010-11 supplemental budget process is because our budget for 2010-11 has been additionally cut. So, planning units were not asked to bring “uses” forward.

The major “use” this time around is the budget cut. We have a new bill from Olympia that we must cover. Several possible additional uses were included in the 2010-11 table for our campus to consider. They are further explained below.

Uses fall into several general categories:

- Required cuts and unfunded mandates:
  - The base budget cut
  - Here, we have no choice: these dollars must be found
  - The cut to state work study support.  
We can take the cut in one of two ways: fill the gap with institutional funding or have units who currently rely upon work study students next year have to pay full freight for the important assistance these students provide, university wide.
  - Support for significantly increasing numbers of veterans.  
The good news is that federal and state incentives are providing significant incentives for veterans to attend universities. The challenge for us is that the state did not fund services for veterans. Those numbers are increasing and ours is a campus, unlike most, that has not provided significant services for veterans.

- Investments that are projected to generate revenues in excess of the amount budgeted.
  - Increase out of state recruiting
 

Budget cuts at Western equal a withdrawal of all operating budget state support for about 3,500 students who are residents of Washington. Because out-of-state tuition is more than twice the actual, marginal cost of educating these students, increasing out-of-state students is one way to fill the gap in support for Washington resident students. There is a time lag here. Investment made in 2010-11 would yield increased revenue in 2011-12 and thereafter. This revenue effect can be found in the “sources” table. Increases in out-of-state students proposed here are modest. The positive effects for supporting resident student education only works in total enrollment does not grow and that is the planning assumption here. Our out-of-state recruitment efforts have and will continue to target academically top-tier students. Availability of opportunities for participation in the Honors Program, are research shows, is important to such recruitment success; the proposed investment in that program is a key component of this strategy to increase revenues.
  - Increase extra-mural grant and contract support
 

Western, when it competes for competitively awarded grants and contracts, has a good record of success. Providing assistance for such efforts has not been an institutional priority. This proposed investment would fund support, particularly for support for institutional initiatives from foundations. There would be two revenue effects: increased support for the initiatives the awards fund (not shown in these tables) and increased institutional returned overhead (shown in the “sources” table and projected to cover the costs, after a lag).

- Addressing Immediate Threats to Longer-Term Academic Sustainability

Western’s increasingly recognized as a premier institution, known for the excellence of the graduates. That excellent follows from our ability to attract strong and strongly motivated students who then have the benefit of working closely with outstanding faculty. Major budget reductions put all that at risk. Of particular concern is our ability to maintain top caliber faculty, particularly as we postpone filling tenure track positions.

Also at risk is our ability to attract top-notch students. Increasingly and being heard in audiences across the state, there are reports of serious fears about the ability of Western students to graduate in a timely fashion. This is the case even though, this year, total number of seats available and total number of students have not changed. But, class choices are fewer.

We are in a very tight box. Tuition now accounts for most of our operating budget. If we reduce students, then demand for classes is reduced and some adjunct instruction could be cut. But, the costs saved there are less than the tuition foregone. So, the reduction in numbers of students actually *worsens* the budget problem.

Suppose we shelve instructional integrity and admit students, taking their tuition knowing they will not get the classes they need to graduate in a timely fashion?

What do prospective students and their families do in such situations? They do not complain to the legislature. Such matters are far too important to a family and far too immediate in impact for anybody to think the legislature might be helpful. People stop coming. If that current perception of Western as a hard place to get classes were to persist or get worse, we very quickly would be back in the ranks of the average regional university trying to be heard in a sea of mediocre competitors.

Maintaining strong tenure and tenure track faculty is as critical to long-term excellence. Let that go, and students will also begin to melt away. Fortunately, for a university of our type, we start from a position of relative strength here, resisting better than many universities across the country and over the last 15 years, the shifting of instructional dollars from tenure to non-tenure track faculty.

Some steps are underway. We hear departmental faculty are beginning conversations about possibilities for curricular reform. Block scheduling will be proposed to be implemented university wide as a way to reduce timely progress toward degrees. Within Academic Affairs, the Provost, deans, and department leadership are seeking to minimize consequences for access to classes as they look at possible budget reductions. To support those efforts, the “uses” section includes two items: increased support targeted at reducing “bottlenecks” in timely progress toward degrees, and increased support for teaching assistants directly and fully utilized to support instruction.

Longer-term, the president, the provost, and the deans are explicitly committed to increasing tenure lines. But, we current tough times to find our least damaging path through. And, we share the more immediate challenge – timely progress to degree – to meet; if it is not met, ours would too soon become a university that none of us would be particularly proud to be tenured at.

Further details on these possible uses are available here. <hyperlink to uses spreadsheet>

[RETURN TO PROPOSALS BY VICE PRESIDENTIAL AREA](#)