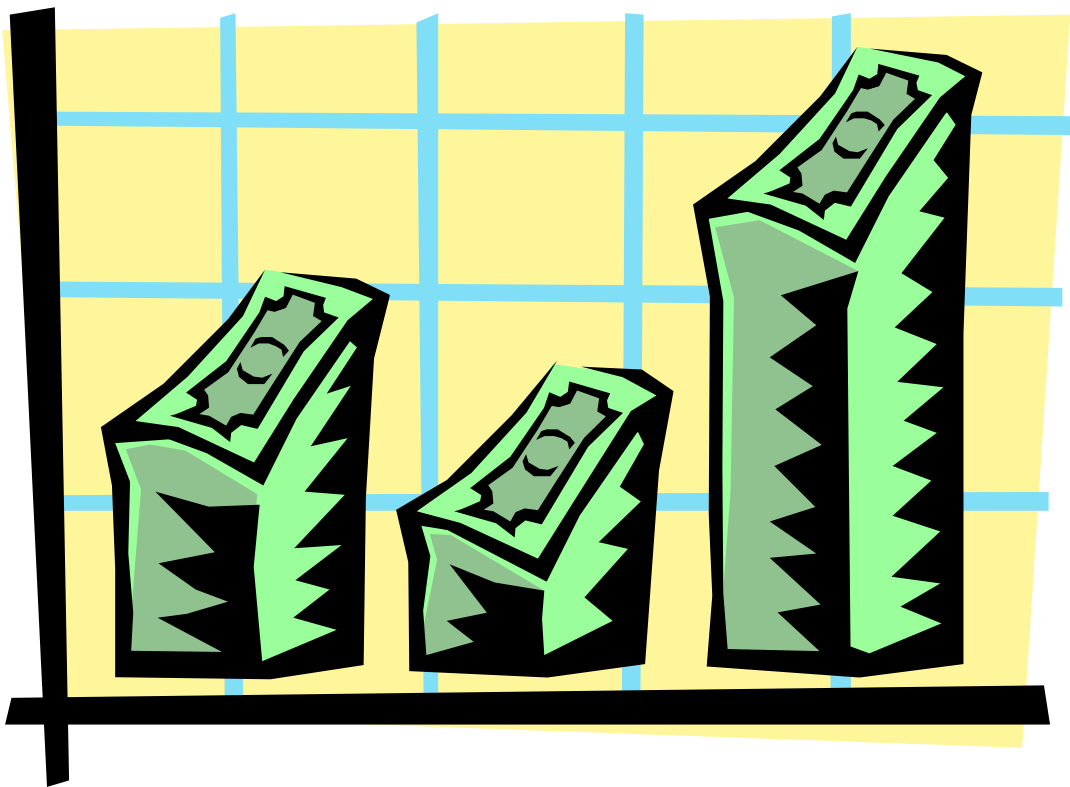


**Preliminary Draft  
2005-07 Operating Budget Policy Framework**



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**Board Worksession – May 2005**

## Context for the 2005-07 Operating Budget

In December 2003, the president re-formed the College Budget Council (CBC) and asked the group to recommend policy options that would:

- Ensure that the college's budget remained balanced in the second year of the 2003-05 biennium,
- Suggest priorities for the college's request to the legislature for 2005-07.

In recent years, the college has faced a series of budget cuts in each legislative cycle. When CBC took up the president's charge, it found that this trend will likely continue. Consequently, the CBC's final recommendations included two provisions intended to ensure that, if the legislature's 2005-07 budget made it necessary, the college would have enough flexibility to responsibly manage further budget cuts. Specifically, CBC recommended that:

- 1) The college hold-back a part of the 2004-05 permanent base budget to help offset the impact of further state budget cuts that could be required in the final 2005-07 biennium legislative budget. (Following this recommendation, the college held back \$751,511.)
- 2) The vice presidents avoid making any permanent allocation decisions until the 2005-07 legislative budget was determined.

The CBC also recommended to the president that the college's legislative agenda include a strong emphasis on improving core funding before program expansion or enrollment growth.

The president accepted the CBC's recommendations and asked the Board of Trustees to adopt the supplemental budget adjustments for 2004-05 and a legislative request for 2005-07 that reflected CBC's thinking. The Trustees approved the recommendation and adopted themes for the college's 2005-07 legislative budget request:

- 1) Avoid further cuts to core funding levels
- 2) Advocate for state funded student financial aid programs
- 3) Advocate for faculty & staff cost-of-living salary increases
- 4) Maintain current levels of health benefits for our employees
- 5) Provide core support for currently enrolled students in:
  - faculty and staff recruitment & retention programs
  - core funding for student success
  - stewardship & sustainability
- 6) Provide funding for our overenrolled students before adding new enrollment expectations.

### **Current Conditions:**

Our college-wide collaborative effort last year outlined principles that served us well over the last fiscal year. Because of this solid fiscal management foundation, we are well prepared to continue using that framework through the 2005-07 budget planning cycle.

The plan provided Evergreen with a financial blueprint that would address budget reductions, if necessary. It also provided a comprehensive institutionally endorsed list of core budget funding priorities if the college's budget improved.

While the college's legislative budget request as not fully funded, the final legislature budget levels do not require internal budget cuts and provides funding for salary and employee health benefit cost increases and enrollment growth. The final budget also provides the means to address some of our most pressing core funding needs as anticipated in our planning.

Barring any new major unforeseen changes in the external funding environment that may come in the legislative supplemental budget next year, we do not expect the need to charge another budget council during the 2005-07 biennium.

### Comparison of Legislative Budgets

	House Budget		Senate Budget		Conference Final	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
<b>Carry Forward Budget</b>						
SG-F	24,037	23,994	24,037	23,994	24,037	23,994
Our Tuition Base	19,869	19,869	19,869	19,869	19,869	19,869
<b>TOTAL</b>	<b>43,906</b>	<b>43,863</b>	<b>43,906</b>	<b>43,863</b>	<b>43,906</b>	<b>43,863</b>
<b>Maintenance Level Adjustments</b>						
Utility Rate Increases	206	206	206	206	206	206
Self-Insurance Premiums	(6)	(6)	(6)	(6)	(6)	(6)
Central Services Charges	207	207	207	207	207	207
Workers Comp	27	27	27	27	27	27
Pension Rate Change	-	-	-	-	329	329
MPA Tribal	161	162	161	162	161	162
<b>Sub-Total</b>	<b>595</b>	<b>596</b>	<b>595</b>	<b>596</b>	<b>924</b>	<b>925</b>
<b>Maintenance Level Budget</b>						
SG-F	24,632	24,590	24,632	24,590	24,696	24,656
Our Tuition Base	19,869	19,869	19,869	19,869	19,869	19,869
<b>TOTAL</b>	<b>44,501</b>	<b>44,459</b>	<b>44,501</b>	<b>44,459</b>	<b>44,565</b>	<b>44,525</b>
<b>Policy Level Adjustments</b>						
<b>Enrollment Growth</b>	<b>849</b>	<b>1,697</b>	611	1,221	704	1,411
<b>Health Benefits</b>						
Represented Employees	208	417	208	417	208	417
Non-Represented Employees	329	146	329	146	329	146
<b>Sub-Total</b>	<b>537</b>	<b>563</b>	<b>537</b>	<b>563</b>	<b>537</b>	<b>563</b>
<b>COLA's</b>	<b>3.6%</b>	<b>1.2%</b>	<b>3.6%</b>	<b>1.2%</b>	<b>3.6%</b>	<b>1.2%</b>
Represented Employees	293	431	293	431	293	431
Non-Represented Employees	654	992	654	992	545	936
<b>Sub-Total</b>	<b>947</b>	<b>1,423</b>	<b>947</b>	<b>1,423</b>	<b>838</b>	<b>1,367</b>
<b>Other</b>						
Salary Survey	18	18	18	18	18	18
PENSION UAAL Contribution	(214)	(131)	(274)	(212)	(235)	(131)
More Maintenance to Capital	(84)	(84)	(84)	(84)	(84)	(84)
Non-Instructional Cut	-	-	(118)	(118)	(118)	(118)
GF-S Cut Assumed from Tuition	-	-	(901)	(1,883)	(197)	(196)
WSIPP Studies	25	25	440	341	195	165
<b>Sub-Total</b>	<b>(255)</b>	<b>(172)</b>	<b>(919)</b>	<b>(1,938)</b>	<b>(421)</b>	<b>(346)</b>
<b>Total Budget Recommendation</b>						
SG-F	25,861	26,404	25,808	25,859	25,586	26,174
<b>Legacy Trust Account</b>	<b>849</b>	<b>1,697</b>	-	-	<b>705</b>	<b>1,411</b>
Our Tuition Base	19,869	19,869	19,869	19,869	19,869	19,869
<b>TOTAL</b>	<b>46,579</b>	<b>47,970</b>	<b>45,677</b>	<b>45,728</b>	<b>46,160</b>	<b>47,454</b>
R-UG Tuition Increase Capacity	541	1,114	541	1,114	541	1,114
<b>TOTAL</b>	<b>47,120</b>	<b>49,084</b>	<b>46,218</b>	<b>46,842</b>	<b>46,701</b>	<b>48,568</b>

## Principles for Managing Sources of Budget Flexibility

Consistent with principles adopted by the Board last summer, we have drafted the following principles/practices to guide the development and management of the 2005-07 operating budget framework

*NOTE: The Board approves a **full two-year budget strategy** at the beginning of each biennium consistent with the enactment of legislative appropriations. This requires divisions and unit managers to be forward thinking and to include strategies to maintain sources of financial flexibility in both the in one-time reserves and the permanent budget base.*

### **This means that for managing sources of one-time budget flexibility:**

- The college will attempt to achieve a 2% (\$800K) institutional long-term contingency fund (rainy day account) for emergencies such as an immediate state cut. Divisions will also continue to manage divisional contingency resource plans. (see bubble #1)
- The college will attempt to maintain an institutional operating reserve of at least 2% (\$800K) to address fluctuations in tuition revenue collections. Divisions will also maintain operating reserves. (see bubble #2)
- Reserves should only be used for addressing one-time issues that emerge. We do not want to use one-time sources to start new on-going costs that will encumber future permanent base budgets outside of the regular college biennial budget process.

### **This means that for the permanent funding base budget:**

- After Board approval of the biennial budget, only the President can commit the college to new permanent budget obligations outside of the regular budget process. The President and vice presidents will continue to meet quarterly on fiscal management issues. This will be the venue for considering any mid-course changes such as unforeseeable emergencies, mandated legislative supplemental changes, and targeted strategic investments coming out college strategic planning activities.
- We will attempt to hold-back up to 2% (\$800K) of the permanent funding levels by the second year of the biennium in anticipation of declining funding support for the 2007-09 legislative budget cycle. (see bubble #3)
- We will hold-back some of permanent funding base for targeted strategic investments that may be identified later in college strategic planning/DTF governance processes. (see bubble #4)

## Adjusting for 2005-07 Line Item Legislative Mandates

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- Increases resident undergraduate student tuition levels by 6% per-year level consistent with legislative assumptions in the final budget.

Permanent Base Budget Adj.	2005-06	2006-07
Resident Undergrad. Tuition Inc.	\$541,000	\$1,114,000
Less cut for state financial aid	(197,000)	(196,000)
<u>Less offset to 1% budget cut</u>	<u>(118,000)</u>	<u>(118,000)</u>
Net Tuition Revenue	\$226,000	\$800,000

*Note: Although raising tuition remains the prerogative of the Board of Trustees, the structure of the legislative budget requires raising tuition to avoid operating budget reductions.*

- Provide for faculty & staff salary increases and benefit rate changes enacted in the legislative budget.

Permanent Base Budget Adj.	2005-06	2006-07
Represented Emp. Sal. Increase	\$293,000	\$431,000
Non-represented Emp. Sal. Inc.	545,000	936,000
2002 Salary Survey Adj.	18,000	18,000
Pension Rate Changes	94,000	198,000
<u>Health Benefit Rate Changes</u>	<u>537,000</u>	<u>563,000</u>
Total Cost of Increases	\$1,487,000	\$2,146,000

- Increasing college operating budgets to accommodate mandated maintenance level adjustments.

Permanent Base Budget Adj.	2005-06	2006-07
MPA Tribal Track Funding	\$161,000	\$162,000
Utility Rate Increases	206,000	206,000
Revolving Fund Payments	228,000	228,000
Move More Maint. To Capital	(84,000)	(84,000)
<u>WSIPP Studies</u>	<u>195,000</u>	<u>165,000</u>
Total Cost Increase	\$706,000	\$677,000

## 2005-07 Core Funding Budget Priorities

- Hold back part of the base budget as a contingency strategy for 07-09.

Potential Levels	2005-06	2006-07
07-09 Hold-back Reserve	-0-	\$608,000

- Re-base operating budget for un-budgeted on-going operational costs.

Un-budgeted on-going base costs	2005-06	2006-07
Ctr. For Community Partnership	\$50,000	\$50,000
Sem II Visual Arts Support	25,000	25,000
Sem II Media Tech. Staff Support	47,000	47,000
Support for Campus Composting	23,000	23,000
Prospect Manager	50,000	50,000
Annual Fund Base Funding	50,000	50,000
Inc. Fundraising Mailing Series	54,000	54,000
Telemarketing System Maint.	12,000	12,000
Travel & Fundraising Expenses	10,000	10,000
Information Tech. Specialist	60,000	60,000
Communication Officer to Full	20,000	20,000
Business Analyst	56,000	56,000
Mental Health Counselors	70,000	70,000
Stable Outdoor Programs	35,000	35,000
<b>Sub-Total</b>	<b>\$562,000</b>	<b>\$562,000</b>

- Address the most pressing basic infrastructure support concerns.

Basic Infrastructure Support	2005-06	2006-07
Academic Re-organization	\$180,000	\$180,000
Evn/Wknd Media Tech. Lead	56,000	56,000
Performing Arts Support	68,500	68,500
Library Circulation Staff	8,500	8,500
IT Position Reclassifications	60,000	60,000
President's Contract Renewal	22,500	22,500
President's Residence	45,000	45,000
Network Services Support	65,000	65,000
Evn/Wknd Info. Tech. Support	74,000	74,000
Super Saturday Support	15,000	15,000
Graduation & Student Events	20,000	20,000
Savings Target	(60,500)	(60,500)
<b>Sub-Total</b>	<b>\$554,000</b>	<b>\$554,000</b>

## 2005-07 Strategic Funding Priorities

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- Establishing a Strategic Initiative Fund for the explicit purpose of financing new targeted initiatives emerging from DTF's and Strategic Planning Efforts.

Potential Levels	2005-06	2006-07
Amt. Available in Final Budget	\$69,246	\$675,835

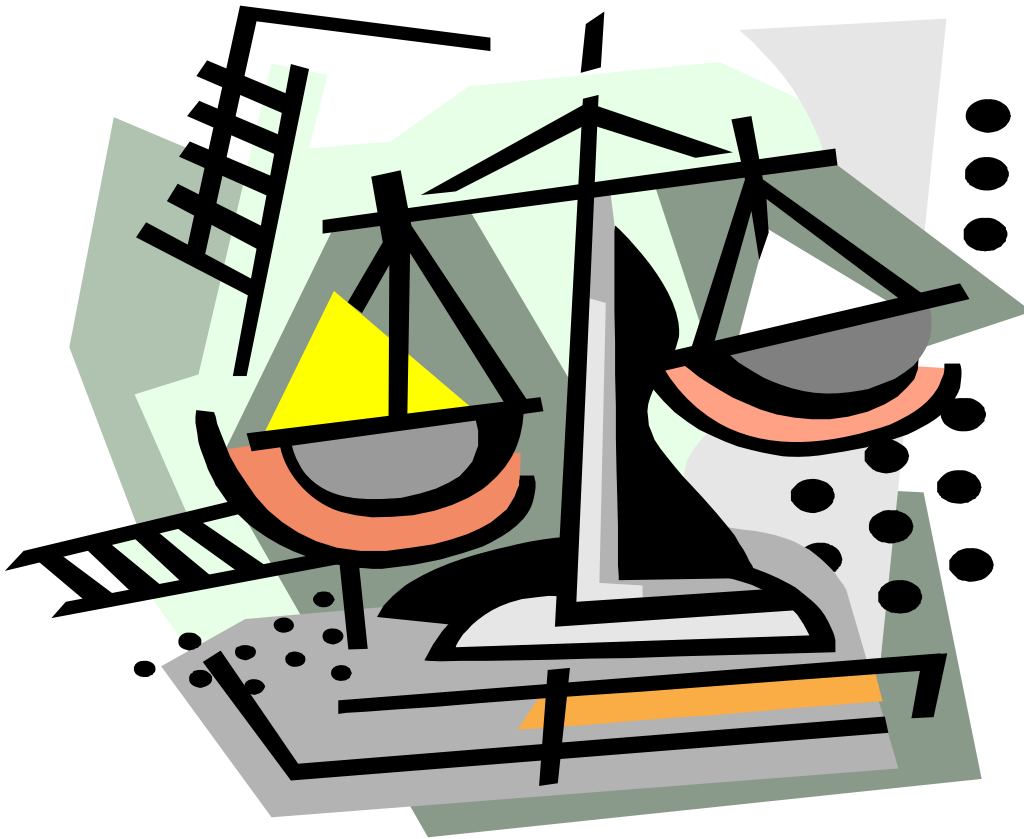
- Utilizing enrollment growth funding to finalize the re-basing of our budget with a lowered level of dependence on non-resident student tuition collections **--and--** to add the necessary faculty positions to support the current level of overenrolled students.

Impact of Changing Student Mix	2005-06	2006-07
<b>Remaining Deficit in Tuition Base</b>	<b>\$286,293</b>	<b>\$286,293</b>
<b>and</b>		
New Student FTE Increase	105	105
Add Faculty Lines at 20:1	5.25	5.25
Cost of Faculty Lines	341,250	341,250
Cost of Program Budgets	1,785	1,785
Cost of Faculty Travel	3,938	3,938
Cost of Faculty Research	2,489	2,489
<b>Total Direct Instructional Costs</b>	<b>349,461</b>	<b>349,461</b>

- Utilizing enrollment growth funding to add the faculty positions to support the expanded level of enrollment increase expected.

Direct Inst. Costs for Growth	2005-06	2006-07
New Student Increase	0	105
Add Faculty Lines at 20:1	0	5.25
Cost of Faculty Lines	0	341,250
Cost of Program Budgets	0	1,785
Cost of Faculty Travel	0	3,938
Cost of Faculty Research	0	2,489
<b>Total Direct Instructional Costs</b>	<b>0</b>	<b>349,461</b>

**Preliminary Draft  
2005-07 Student Tuition and Fee Forecast**



**Board Worksession – May 2005**

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## Legislative Approved Tuition and Aid Policy

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**State Need Grant:** The legislature provided funding to expand the State Need Grant to 65% of the median family income, approximately \$43,300 for a family of four. In addition, funds were added to the State Need Grant program to offset the full effect of the 6% per year tuition rate increase and cover the 7,900 additional new student enrollments provided for in the final budget.

**Tuition Increases:** The legislature set the cap for resident undergraduate tuition increases at 7%, 6% and 5% per year for research institutions, comprehensive institutions (including TESC) and community & technical colleges, respectively. They also authorized the colleges and universities to increase summer term per credit hour rates consistent with those levels approved for regular session.

**Application Fees:** The legislature authorized raising the application fee levels beyond the I-601 limit to help college and universities address the rising costs of processing applications. Evergreen's rate is currently \$38 and would increase to \$50 beginning next fall quarter.

### Tuition Increase Schedule

Tuition Increases:	Fiscal 2004-05	Fiscal 2005-06		Fiscal 2006-07	
	Current Rate	Amt. Of Increase	Total Proposed	Amt. Of Increase	Total Proposed
Resident Undergraduate	3,468	208	3,676	221	3,897
Resident Graduate	6,069	-	6,069	-	6,069
Non-Res. Undergraduate	14,083	-	14,083	-	14,083
Non-Res. Graduate	19,506	-	19,506	-	19,506

Note: The Legislature doesn't mandate tuition increases. Higher education governing boards are authorized to locally decide the level of increase provided that resident undergraduate increase amount don't exceed a 6% annual limit. This table assumes that resident undergraduate tuition is increase 6% per year and all other student tuition levels remain at current rates.

**Other Fee Increase:** There are several other fee increases under consideration that the board will hear about through out the worksession including:

- Increasing the S&A Fee
- Increasing the Health & Counseling fee and expanding the program to include Tacoma
- Increasing the Bus Pass Fee
- Implementing a Clean Energy Fee
- Reconfiguring and Increasing Housing Rates
- Reconfiguring and Increasing Dining Board Plans

The attached table factors all these changes to reflect the impact to the total estimated cost of attendance for students for the next two-year period.

**Estimated Total Cost of Attendance For The 2005-07 Biennium**  
**Tuition increases: 6% Resident Undergraduate, 0% for all other student categories**  
**5%+3% Housing Rate Increases, Mandatory Board Plans, & 5% per year S&A Increase**  
**5% per year increase for Bus Pass, Implement the \$1 per credit hour Clean Energy Fee**  
**& Assume Positive Vote for Technology & Campus Life Bldg fees for 06-07 Implementation**

	Resident Undergraduate			Non-Resident Undergraduate			Resident Graduate			Non-Resident Graduate		
	Current	Assumed	Assumed	Current	Assumed	Assumed	Current	Assumed	Assumed	Current	Assumed	Assumed
	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07
	Rates	Levels	Levels	Rates	Levels	Levels	Rates	Levels	Levels	Rates	Levels	Levels
<b>Tuition and Fees</b>												
Operating	3,329	3,529	3,741	13,520	13,520	13,520	5,917	5,917	5,917	18,921	18,921	18,921
Building	139	147	156	563	563	563	152	152	152	585	585	585
Student & Activities	432	454	475	432	454	475	432	454	475	432	454	475
Sub-Total	3,900	4,130	4,372	14,515	14,537	14,558	6,501	6,523	6,544	19,938	19,960	19,981
Health & Counseling	120	123	127	120	123	127	120	123	127	120	123	127
Bus Pass Fee	36	38	40	36	38	40	36	38	40	36	38	40
Clean Energy (need BOT approv)	-	48	48	-	48	48	-	48	48	-	48	48
Campus Life (needs vote)			144			144			144			144
Technology Fee (needs vote)	-	-	120	-	-	120	-	-	120	-	-	120
WASH-PIRG	18	18	18	18	18	18	18	18	18	18	18	18
Total Direct Costs	4,074	4,357	4,869	14,689	14,764	15,055	6,675	6,750	7,041	20,112	20,187	20,478
Dollar Change		283	512		75	291		75	291		75	291
Percent Change		6.95%	11.75%		0.51%	1.97%		1.12%	4.31%		0.37%	1.44%
<b>Estimated Other Costs</b>												
Books & Supplies	780	804	829	780	804	829	780	804	829	780	804	829
*Average Student Housing Rate	3,790	3,962	4,073	3,790	3,962	4,073	3,790	3,962	4,073	3,790	3,962	4,073
*Board Plan (if required)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
*Discretionary Food \$'s	420	420	420	420	420	420	420	420	420	420	420	420
Personal Needs	1,824	1,881	1,939	1,824	1,881	1,939	1,824	1,881	1,939	1,824	1,881	1,939
Transportation	1,188	1,225	1,263	1,617	1,667	1,719	1,188	1,225	1,263	1,617	1,667	1,719
Total Other Costs	9,502	9,792	10,024	9,931	10,234	10,480	9,502	9,792	10,024	9,931	10,234	10,480
Dollar Change		290	232		303	246		290	232		303	246
Percent Change		3.05%	2.37%		3.05%	2.40%		3.05%	2.37%		3.05%	2.40%
<b>TOTAL ESTIMATED COSTS</b>	<b>13,576</b>	<b>14,149</b>	<b>14,893</b>	<b>24,620</b>	<b>24,998</b>	<b>25,535</b>	<b>16,177</b>	<b>16,542</b>	<b>17,065</b>	<b>30,043</b>	<b>30,421</b>	<b>30,958</b>
Dollar Change		573	744		378	537		365	523		378	537
Percent Change		4.22%	5.26%		1.54%	2.15%		2.26%	3.16%		1.26%	1.77%
Biennial Dollar Change			1,317			915			888			915
Biennial Percent Change			9.7%			3.7%			5.5%			3.0%

\* Projected Board & Cash Plan is \$1,895/yr. Which is within the financial aid allowance level for housing & dining costs

\*\* Campus Life assumes a \$3/credit hour charge