

MEMORANDUM
April 28, 2004

TO: Thomas L. (Les), Purce, President

From: Steve Trotter, Chair of the College Budget Council (CBC)

Subject: Final Conclusions & Recommendations of the CBC

I am pleased to report that the College Budget Council (CBC) has completed its assigned work. Attached is the final CBC report that includes two sections:

- Part 1 reflects the final recommendations regarding modifications to the 2004-05 operating budget balancing strategies adopted last summer, and
- Part 2 is our recommendation for the 2005-07 legislative operating budget request that is assembled in logical thematic packages designed to address our highest priority needs.

The College Budget Council worked hard over the past two years. First, as you are aware they developed a solid two-year budget plan last year that was built on strategies to maintain the best fiscal positioning for the college to meet its obligations long-term in light of declining public support. That plan had built in contingency for the 2004-05 plan that now enables the college to avoid cuts next year and retains flexibility for the 2005-07 budget allocation process next year.

With the completion of developing a framework for our 2005-07 legislative budget request, CBC is setting the stage for beginning that process through their substantial work of developing a request that incorporates all of the highest priority initiatives from each of the divisions. This work marks the completion of our internal biennial budget allocation cycle and casts the beginning the next cycle.

I want to express my appreciation for the opportunity to do that work with such a dedicated and talented team. It's a great group of people who deserve special recognition for the contributions they made to this lengthy two-year long process.

I look forward for your review and would be delighted to respond to any questions or concerns you may have about the summary conclusions of the CBC.

THE EVERGREEN STATE COLLEGE
MODIFICATIONS TO THE 2004-05 BUDGET
&
2005-07 BIENNIAL LEGISLATIVE BUDGET REQUEST

**Summary Report of the
College Budget Council (CBC)**

From the CBC Members

Vice Presidents

Don Bantz
Ann Daley
Art Costantino
Frank McGovern

Divisional Budget Support Group

Bill Bruner
Walter Niemiec
Lee Hoemann
Sharon Harrison
Collin Orr
Bill Zaugg

Campus Community Members

Stacey Davis
Lee Lyttle
Sonja Wiedenhaupt
Andrea Coker-Anderson
Phyllis Lane
Steve Hunter

Steve Trotter, Chair

Recommendation to President Purce
April 28, 2004

Part 1: Final CBC Recommendations for the 2004-05 Budget

BACKGROUND:

CBC's recommendation to you last summer assumed that more legislative cuts were likely for the 04-05 fiscal year due to Washington's economic conditions. As you recall that in addition to tuition increases this year we used \$1.2 million of one-time revenues to shore-up the 03-04 budget. Next year our plan outlined a combination of tuition increases, 1% divisional budget reduction expectations and challenged the Financial Futures Group to deliver \$400,000 of new net revenue. This plan was designed to carry the college for the full two-year budget cycle assuming that up to \$1.2 million of further legislative cuts next year would be possible.

CURRENT CONDITIONS & CBC RECOMMENDATIONS:

Perhaps the most important change is that the state economy stabilized and the 2004 Legislature did not implement further budget reductions for 2004-05. As you are well aware the past decade has brought one budget cut process after another that has had a significant accumulated impact on our campus spirit. The improvement to the state economy is welcome news and will allow the campus community to take a breather from budget cutting and focus our energy the important work of the college.

CBC recommends modifying strategies outlined in the 2004-05 budget plan as follows:

1. Eliminate the 1% budget reduction next year.
2. Change how we account for the \$400,000 of new net revenues assigned to the Financial Futures Group because they will not be generated in the operating budget. Instead revenue increases will be accounted for in other college revenue accounts such as the annual fund, extended education and summer conferences.
3. Do not make permanent allocation decisions at this time and the vice presidents will continue to manage short-term budgetary problems from sources of one-time reserves.
4. Retain the \$751,511 hold back contingency intact as a way to provide needed flexibility for the full 2005-07 biennial budget allocation process given the level of uncertainty about outcomes of the upcoming legislative session.

Following is a financial summary that compares the budget adopted last summer to these proposed modifications.

Comparison of CBC strategy last summer to current conditions:

CBC concluded in their recommendation last year:

"...the following recommendations anticipate that further legislative reductions may be necessary as soon as next year... our recommendations recognize that the decade long trend of budget reductions and tuition increases alone have not kept pace with our needs...We envisionwhere funding strategic priorities becomes possible in the future."

Summary -- CBC Balance Sheet

	Fiscal 2003-04		Fiscal 2004-05	
	Adopted Budget	Final Budget	Adopted Budget	CBC Modifications
Legislative Adjustments				
Legislative General Budget Reductions	(2,195,000)	(2,195,000)	(2,194,000)	(2,194,000)
Legislative Waiver Authority Adjustment	-	-	(33,000)	(33,000)
Short Funding on Health Insurance	(6,500)	(6,500)	(16,000)	(16,000)
Sub-Total Legislative Reductions	(2,201,500)	(2,201,500)	(2,243,000)	(2,243,000)
VP Shortlist of Unavoidable Cost Increases				
Reasonable Accommodations for Students	(75,000)	(75,000)	(75,000)	(75,000)
Workers Comp. Rate Increase	(32,000)	-	(32,000)	-
Faculty/Staff Training per Union Contract	(45,000)	(45,000)	(45,000)	(45,000)
Staff Wellness per Union Contract	(18,000)	(18,000)	(18,000)	(18,000)
Sub-Total Unavoidable Cost Increases	(170,000)	(138,000)	(170,000)	(138,000)
TOTAL BASE BUDGET PROBLEM	(2,371,500)	(2,339,500)	(2,413,000)	(2,381,000)
Tuition Increase (net of student aid disc.) *	1,059,231	1,084,251	2,501,289	2,501,289
Apply One-Time Resources (Bridge)	1,190,269	1,009,027	-	-
Financial Futures - Computer Acquisition Process	20,000	20,000	20,000	20,000
Financial Futures - Expanded Conference Activities	35,000	35,000	35,000	35,000
Financial Futures - Web Payment Program	67,000	67,000	100,000	100,000
Move Food Svs. Support to One-Time	-	-	150,000	150,000
Sub-Total Phase I Strategy	2,371,500	2,215,278	2,806,289	2,806,289
Apply 1% Divisional Reductions	-	-	400,000	NO CUTS
Assume Financial Futures - Phase II	-	-	400,000	\$'s in Other Funds
Sub-Total Phase II Strategy	-	-	800,000	-
OFM Transfer Student Enrollment Increases	-	265,200	-	265,200
2004 Supplemental Session General Enrollment Adds	-	-	-	202,000
Permanently Fund Faculty Lines to Support plus 16 cr.	-	(99,260)	-	(99,260)
Permanently Fund Prog. Asst. to Support plus 16 cr.	-	(41,718)	-	(41,718)
Net Resources Remaining from Enrollment Pool Inc.	-	124,222	-	326,222
TOTAL BUDGETARY CHANGES	2,371,500	2,339,500	3,606,289	3,132,511
Hold Back Contingency	-	-	1,193,289	751,511

Key to Color Codes:

03-04 Financial Futures Group recommendations adopted by CBC for implementation in 02-03 assume that it may take more time to yield expected results. The budget assumes that one-time resources will be used to shore-up shortfalls in actual yield.

Since no further reductions were required by 2004 legislation, the CBC concluded that we DO NOT proceed with the 1% divisional budget reduction plan for 2004-05.

Although Financial Futures Group has made significant progress in diversifying college revenues by at nearly \$365,000 over the 2002-03 fiscal period, those resources can't be used to offset state operating budget concerns. Instead, CBC recommends that we account for these gains in the proper funds not in the operating budget. These new resources, for example, are making a significant difference in maintaining student scholarship but can only be indirectly realized in the operating budget overtime when we can "waive" tuition revenues that support direct operations.

We remaining in a contingency planning mode of operation given the level of uncertainty that exists concerning funding college costs and where the beginning of the 2005-07 biennium will have enormous pressure on limited state dollars. This small operating base hold-back contingency will be carefully managed by the president taking the recommendations from the CBC into consideration as we enter into the 2005-07 biennium.

Part 2: 2005-07 Legislative Budget Request Recommendation

BACKGROUND:

CBC began the work of determining priorities for the 2005-07 operating budget request by reviewing the college's 2003-05 operating budget request. Based on the level of remaining unsupported priorities from that request we observed that obtaining significant legislative enhancements was probably not likely. However, CBC concluded that the process of developing a biennial budget request had substantial internal benefits in that it helps the college as a whole become clearer on budgetary concerns before we enter into the actual budget allocation process. There are clear linkages to our budget requests and how we approach establishing our internal budget allocations.

PROCESS USED:

CBC established an overall maximum target of 10% as being the overall college limit for enhancements above our current budget level. Each division was assigned the task of assessing divisional funding needs in the context of our previous budget requests, previous budget cuts, and current operational or strategic funding issues. After the divisional reports to CBC was accomplished, the budget coordinators were assigned the tasks of developed a recommended approach to package the seeming independent line-item requests into budget themes for consideration. CBC adopted the overall request level and the thematic approach proposed by the budget coordinators at their April 26th meeting.

SUMMARY OVERVIEW:

CBC's recommends a framework which highlights the need to address core funding needs before program expansion or enrollment growth. We simply have reached a point where we can no longer sustain the quality of academic service to our students without maintaining our budget's core funding. The decade long trends of legislative budget cuts while increasing enrollment levels and increasing the costs for students have had serious consequences. Our faculty and staff have been asked to do more for less, and our students have been asked to pay more for less. We recommend that we engage the legislature on the following strategic higher education issues:

- Preventing further erosion of our core funding,
- Advocating for continued legislative funding for student financial aid programs,
- Ensuring that our faculty and staff receive a cost of living increase that is at least equal to what others may receive under I-732 or classified collective bargaining agreements,
- Maintaining the current level of health benefit coverage for our employees, and
- Ensuring that adequate core funding is provided to support the current enrollment levels before adding any new students.

Priority 1: Faculty and Staff Recruitment and Retention

Priority 2: Core Support for Student Success

Priority 2: Stewardship and Sustainability

Priority 4: Increase Budgeted Enrollment Levels

Following are the supporting tables that detail the line item initiatives by priority.

