

THE EVERGREEN STATE COLLEGE

May 30, 2005

Executive Summary

TO: Board of Trustees

FROM: Thomas L. Purce, President

REFERENCE: 2005-07 Operating Budget Spending Plan

- 1) Administrative Recommendation
Approve the operating budget spending plan and policy changes described in Attachment A.

Detail

Part 1: Approve the \$148,790,000 operating budget spending plan for all areas of the college as outlined below.

College Spending Plan by Fund Type	2003-05 Approved Spending Plan	2005-07 Proposed Spending Plan
• State General Funds	\$46,499,000	\$51,760,000
• Education Legacy Trust Fund	-0-	2,116,000
• Tuition Revenue	37,100,000	41,212,000
• Local Dedicated Funds	5,050,000	5,380,000
• Grants & Contracts	6,800,000	7,200,000
• Non-Budgeted Funds	38,036,000	41,122,000
TOTAL SPENDING PLANS	\$133,485,000	\$148,790,000

Part II: Approve the following policy changes:

For Student Tuition and Fee Adjustments:

- Increase student tuition levels for resident undergraduate 6% per year (tuition levels will remain un-changed for non-resident undergraduate, resident graduate and non-resident graduate students); and
- Increase the Student and Activities fee by 5% per year; and
- Increase the Housing Rental Rates by an average of 5% in 2005-06 and by 3% in 2006-07; and
- Increase the Community Health and Counseling Fee by \$3.00 in 2005-06 and by \$4.00 in 2006-07 consistent with I-601 restrictions; and
- Implement a new mandatory \$1.00 per credit hour clean energy fee for all enrolled students attending regular and special summer sessions; and

For Adjustments to Base Budget:

- f) Direct operating resources to address budget shortfalls (\$562,000) in the base budget and to re-base the tuition base (\$286,293) to reflect a smaller non-resident student population; and
- g) Allocate operating resources to enhance basic infrastructure support (\$714,500) and to add faculty lines and instructional support budgets (\$349,461 in 05-06 increasing to \$698,922 in 06-07) to meet the expected enrollment growth levels, and;
- h) Establish a \$515,335 Strategic Initiative Fund and a \$608,000 Hold-back Reserve in 2006-07, and;

Part III: Adjustments that don't require board action:

- i) Implement an average 3.2% salary increase in 2005-06, an average 1.6% salary increase in 2006-07, and increase operating budgets campus-wide to reflect the increased costs of employee benefit rates, and;
- j) Make permanent the funding to support Evergreen's Tribal Track Master's in Public Administration, and;
- k) Adjust the base budget to reflect utility rate increases, revolving fund payments, and maintenance cost shifts to the capital budget, and;
- l) Reduce general fund support and offset the mandated cuts with a portion of the revenue increase from raising resident student tuition levels, and;
- m) Establish budget levels that reflect our best estimates for grants, contracts, service & auxiliary accounts, and student grants-in-aid for the next two-year period. *Note, the S&A Tier I and Tier II spending plans are approved by the Board in a separate motion.*

2) Explanation:

- a) Present Policy: This approval incorporates the internal adjustments required to carry out the legislative changes to the board's previously approved base spending levels. This plan reflects the budgetary changes necessary to:
 - maintain an appropriate level of institutional contingency to address further potential state changes next biennium;
 - re-base the base budget for mandatory costs increases, shortfalls in the operating budget and in tuition revenue collection levels;
 - implement the necessary COLA salary adjustments and employee benefit cost increase over the next two years;
 - adjust all locally funded operations for fee and rate increases;
 - increase resident undergraduate student tuition levels by 6% per year;
 - utilize current reserves to help balance the college budget next year;
 - reflect our best estimates for grants, contracts, service & auxiliary activity, and student grants in aid for the next two year period; and,
 - support funding issues that will emerge as we update our strategic planning efforts by the creating of a new Strategic Initiative Fund.

These changes are necessary to enter into the 2005-07 biennium with an expenditure plan that funds approved policy changes and balances to projected revenue sources.

b) Proposed by: Thomas L. Purce, President

c) Purpose: To approve the 2005-07 operating budget spending plans for all areas of the college.

3) Scheduling:

This approval will finalize the remaining budget policy elements and allow our internal financial system to be loaded with the necessary line item budget controls prior to the July month end cut-off. This approval will allow the college to finalize notification to students regarding tuition and fee amounts, complete student financial aid packaging, and allow staff to submit the monthly allotment schedule to the Office of Financial Management on August 4, 2005 as required.

4) Fiscal Impact:

Provides the funds to carry out legislative intent and board approved policy changes.

5) Program Impact:

(See Attachment B, *2005-07 Operating Budget Policy Framework.*)

6) Legal Process:

The Office of Financial Management provides clear instruction to carry out the legal budgetary requirements. Legislative staff has provided the college with the necessary interpretations of legislative intent for adjustments not specifically written into law. Washington state law and the Board's Delegation of Authority requires the Board to approve the college's official spending plan and all student fee changes.

7) Staff Review

_____ Executive Associate to the President

_____ Secretary to the Board

_____ Executive Director of Operational Planning and Budget

Attachment A:

The proposed motion incorporates the following elements:

Operating Budget Spending Plan

1. Approval of an 2005-2007 operating budget spending plan totaling \$148,790,000 for all areas of the college.

Tuition and Fee Adjustments

2. Increase student tuition levels for resident undergraduate 6% per year (tuition levels will remain un-changed for non-resident undergraduate, resident graduate and non-resident graduate students); and
3. Increase the Student and Activities fee by 5% per year; and
4. Increase the Housing Rental Rates by an average of 5% in 2005-06 and by 3% in 2006-07; and
5. Increase the Community Health and Counseling Fee by \$3.00 in 2005-06 and by \$4.00 in 2006-07 consistent with I-601 restrictions; and
6. Implement a new mandatory \$1.00 per credit hour clean energy fee for all enrolled students attending regular and special summer sessions; and

Policy Adjustments in the Base Operating Budget

7. Direct operating resources to address budget shortfalls (\$562,000) in the base budget and to re-base the tuition base (\$286,293) to reflect a smaller non-resident student population; and
8. Allocate operating resources to enhance basic infrastructure support (\$714,500) and to add faculty lines and instructional support budgets (\$349,461 in 05-06 increasing to \$698,922 in 06-07) to meet the expected enrollment growth levels, and;
9. Establish a \$515,335 Strategic Initiative Fund and a \$608,000 Hold-back Reserve in 2006-07.

Attachment B:

2005-07 Operating Budget Policy Framework



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
Carry Forward Budget						
SG-F	24,037	23,994	24,037	23,994	24,037	23,994
<u>Our Tuition Base</u>	<u>19,869</u>	<u>19,869</u>	<u>19,869</u>	<u>19,869</u>	<u>19,869</u>	<u>19,869</u>
TOTAL	43,906	43,863	43,906	43,863	43,906	43,863
Maintenance Level Adjustments						
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
<u>MPA Tribal</u>	<u>161</u>	<u>162</u>	<u>161</u>	<u>162</u>	<u>161</u>	<u>162</u>
Sub-Total	595	596	595	596	924	925
Maintenance Level Budget						
SG-F	24,632	24,590	24,632	24,590	24,696	24,656
<u>Our Tuition Base</u>	<u>19,869</u>	<u>19,869</u>	<u>19,869</u>	<u>19,869</u>	<u>19,869</u>	<u>19,869</u>
TOTAL	44,501	44,459	44,501	44,459	44,565	44,525
Policy Level Adjustments						
Enrollment Growth	849	1,697	611	1,221	704	1,411
Health Benefits						
Represented Employees	208	417	208	417	208	417
<u>Non-Represented Employees</u>	<u>329</u>	<u>146</u>	<u>329</u>	<u>146</u>	<u>329</u>	<u>146</u>
Sub-Total	537	563	537	563	537	563
COLA's	3.6%	1.2%	3.6%	1.2%	3.6%	1.2%
Represented Employees	293	431	293	431	293	431
<u>Non-Represented Employees</u>	<u>654</u>	<u>992</u>	<u>654</u>	<u>992</u>	<u>545</u>	<u>936</u>
Sub-Total	947	1,423	947	1,423	838	1,367
Other						
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)
<u>WSIPP Studies</u>	<u>25</u>	<u>25</u>	<u>440</u>	<u>341</u>	<u>195</u>	<u>165</u>
Sub-Total	(255)	(172)	(919)	(1,938)	(421)	(346)
Total Budget Recommendation						
SG-F	25,861	26,404	25,808	25,859	25,586	26,174
Legacy Trust Account	849	1,697	-	-	705	1,411
<u>Our Tuition Base</u>	<u>19,869</u>	<u>19,869</u>	<u>19,869</u>	<u>19,869</u>	<u>19,869</u>	<u>19,869</u>
TOTAL	46,579	47,970	45,677	45,728	46,160	47,454
R-UG Tuition Increase Capacity	541	1,114	541	1,114	541	1,114
TOTAL	47,120	49,084	46,218	46,842	46,701	48,568

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 maintain a \$750,000 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.
- The college will attempt to maintain an institutional operating reserve of \$800K to address fluctuations in tuition revenue collections. Divisions will also maintain operating reserves.
- 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 hold-back \$608K 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.
- We will hold-back \$515K permanent funding base for targeted strategic investments that may be identified later in college strategic planning/DTF governance processes.

Adjusting for 2005-07 Line Item Legislative Mandates

- 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
<u>Stable Outdoor Programming</u>	<u>35,000</u>	<u>35,000</u>
Sub-Total	\$562,000	\$562,000

- 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	60,000	60,000
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
Internal Auditor	85,000	85,000
Sub-Total	\$714,500	\$714,500

2005-07 Strategic Funding Priorities

- 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	-0-	\$515,335

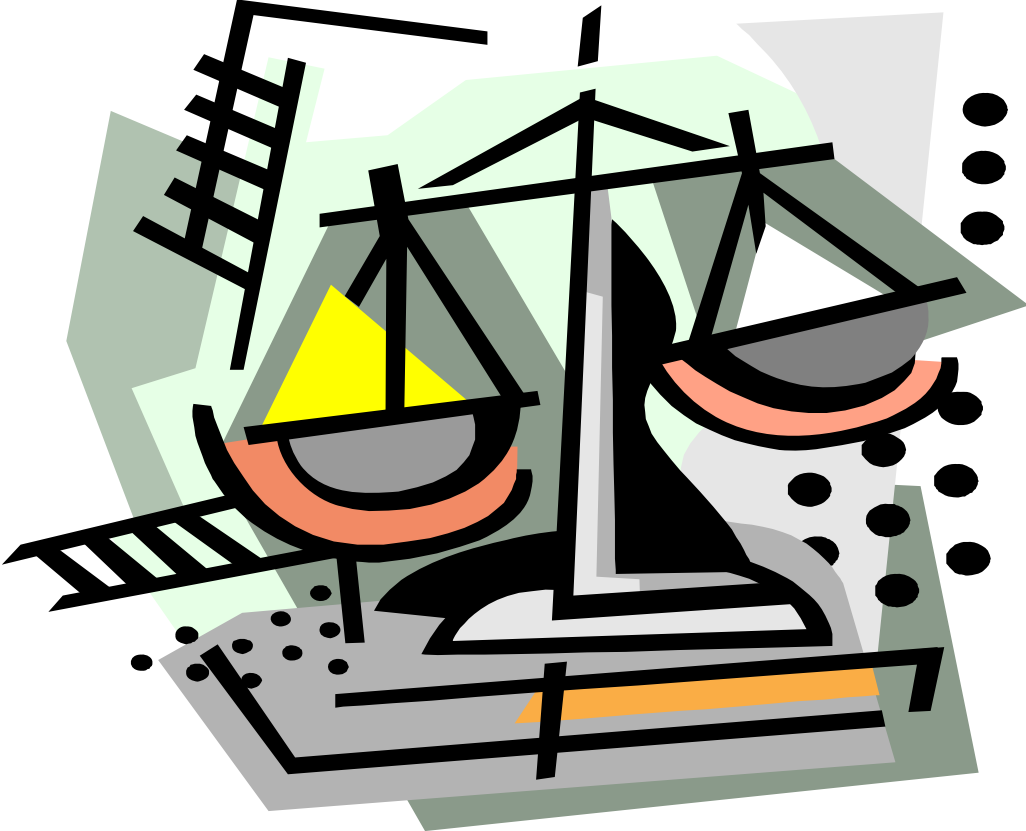
- Utilizing enrollment growth funding to finalize the re-basing of our budget with a lowered level of dependence on non-resident student tuition collections **--and--** to add the necessary faculty positions to support the current level of overenrolled students.

Impact of Changing Student Mix	2005-06	2006-07
Remaining Deficit in Tuition Base	\$286,293	\$286,293
and		
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
<u>Cost of Faculty Research</u>	<u>2,489</u>	<u>2,489</u>
Total Direct Instructional Costs	349,461	349,461

- 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
<u>Cost of Faculty Research</u>	<u>0</u>	<u>2,489</u>
Total Direct Instructional Costs	0	349,461

Proposed 2005-07 Tuition and Fee Changes



Board of Trustees – June 2005

Legislative Approved Tuition and Aid Policy

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 other fee increases contained in the 2005-07 budget recommendation including:

- Increasing the S&A Fee
- Increasing the Health & Counseling fee
- 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 Rates	2005-06 Levels	2006-07 Levels	2004-05 Rates	2005-06 Levels	2006-07 Levels	2004-05 Rates	2005-06 Levels	2006-07 Levels	2004-05 Rates	2005-06 Levels	2006-07 Levels
Tuition and Fees												
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
<i>Dollar Change</i>		283	512		75	291		75	291		75	291
<i>Percent Change</i>		6.95%	11.75%		0.51%	1.97%		1.12%	4.31%		0.37%	1.44%
Estimated Other Costs												
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
<i>Dollar Change</i>		290	232		303	246		290	232		303	246
<i>Percent Change</i>		3.05%	2.37%		3.05%	2.40%		3.05%	2.37%		3.05%	2.40%
TOTAL ESTIMATED COSTS	13,576	14,149	14,893	24,620	24,998	25,535	16,177	16,542	17,065	30,043	30,421	30,958
<i>Dollar Change</i>		573	744		378	537		365	523		378	537
<i>Percent Change</i>		4.22%	5.26%		1.54%	2.15%		2.26%	3.16%		1.26%	1.77%
<i>Biennial Dollar Change</i>			1,317			915			888			915
<i>Biennial Percent Change</i>			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