
THE EVERGREEN STATE COLLEGE
2003-05 OPERATING BUDGET

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

From the CBC Members

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Recommendation to President Purce

June 26, 2003

Background

Given the prospect of further budget cuts for the 2003-05 biennium, the college's management team focused last summer and throughout fall quarter on designing an improved overall budget planning framework, communication methodologies and decision making processes. As a result of the collaborative work, President Purce charged four groups to accomplish the overall goals that fell out of that collaborative work.

- The Core Values Group was charged with documenting methods where we continue to use core values as shared principles to guide our planning work.
- The Financial Futures Group continues to design plans to improve our financial position by creating new revenue streams and reducing expenses through improved efficiencies.
- The Communications Group is developing ways to share information with the campus and to help foster dialogue on issues important to the Evergreen Community.

The fourth Group, is the College Budget Council (CBC). The CBC was charged with developing policy options to balance the college's budget for the 2003-05 biennium by enhancing revenues (through new revenues or tuition and fee increases) and/or reducing expenses (through cost-saving efficiencies and budget reductions), and with presenting a final recommendation to the president.

The CBC worked over the Winter and Spring quarters to gather as much information as possible from various groups and individuals campus-wide, measured the potential impact and direction of various legislative budget proposals and released its initial thoughts about how best to balance the budget in campus forums in early May. All CBC meetings were open to the public and meeting minutes and other materials were made available to the campus community on the college web site. However, given the delay in legislative approval of a final budget, the CBC was unable to complete the work of finalizing their conclusions until mid-June. Regardless of that delay, the CBC took all the feedback from the campus community into consideration in formulating this final report.

Context

It is important to recognize that the decisions of the CBC were formulated in the context of more than a decade long trend of declining public support for higher education and strong indications that the current national and state economic conditions will not improve any time soon. The slow incremental erosion of core funding support in the past has left the college with little flexibility to address this changing budget environment and has hampered our ability to make much progress in funding strategic priorities.

Given this historical context and the magnitude of continued funding challenges before us, CBC believes that multiple strategies must be implemented now to address both the immediate 2003-05 biennial budget shortfall and establish the best fiscal positioning for the college to meet its obligations long-term. We have learned in recent years that the college is well served by implementing strategies that build upon and maintain sources of financial flexibility to help manage further budget changes. We are also just beginning to see the difference that can be made by creatively looking for new revenue or efficiencies.

After considerable deliberation and taking the feedback from the campus community into consideration, the CBC is making several recommendations. Taken together these recommendations are proposed as the best strategic commitment to the long-term viability and quality of the college while ensuring stable and predictable enrollment of students whose tuition payment will help enable the college to meet its fiscal responsibilities and provide quality educational experiences for our students.

It is also important to recognize that solving the short-term problem with budget reductions only is not a viable option because of the serious impact to the quality of programs and services for students and the integrity of our academic programs. Also, solving the problem through new revenue ideas has limits because programming for new net college resources takes time to fully develop. And, increasing student tuition levels too far could make the college inaccessible which could cause enrollment declines requiring further budget reductions due to less tuition revenue.

Given these limits, it is clear that a combination of generating new revenue, increasing student tuition levels, implementing further college budget reductions, enacting new student fee increases and using college one-time reserves will be necessary to address the short-term problem and begin to pave the way for longer term solutions.

Finally, the following recommendations anticipate that further legislative reductions may be necessary as soon as next year based on state revenue forecasts that continue to be modified downward indicating that Washington's economic condition is a long way from recovery. At the same time, our recommendations recognize that the decade long trend of budget reductions and tuition increases alone have not kept pace with our needs. We must remain focused on the serious work of improving and diversifying our overall revenue structure to meet our long-term needs. We envision a long-term revenue restructuring where funding strategic priorities becomes possible in the future.

Summary CBC Budget Balancing Recommendation

	FY 2003-04	FY 2004-05
Legislative General Budget Reduction	(2,195,000)	(2,194,000)
Legislative Waiver Authority Adjustment	-	(33,000)
Short Funding of Mandated Health Benefit Rates	(6,500)	(16,000)
VP Short Unavoidable Cost Increase List	(170,000)	(170,000)
Total Base Budget Problem	(2,371,500)	(2,413,000)
Move Food Services Support to One-Time	-	150,000
Implement Financial Futures Group Ideas - Phase I	122,000	155,000
Net Revenue from Moving from 21% to 22% Non-Res. Mix	172,231	156,788
Net Tuition Increase(7UG 9 all others) @22% Mix	1,009,000	2,496,501
less additional student aid	(122,000)	(152,000)
Use One-Time Bridge Resources	1,190,269	-
1% Budget Reduction	-	400,000
Revenue Expectations from Financial Futures - Phase II	-	400,000
Total CBC Recommended Base Budget Changes	2,371,500	3,606,289
Hold Back Contingency Pending Further State Changes	-	1,193,289

CBC Conclusions and Recommendations

A. Food Service Recommendations

1. Eliminate the \$150,000 permanent operating budget allocation as we begin the 2004-05 fiscal year and apply one-time bridge reserve funds to cover college costs until the food operation finances stabilize.
2. Implement a new \$3.50 per credit hour Food Services Facility Fee for all Olympia campus students to fund the necessary capital improvements to improve service delivery, and improve overall financial performance of our food operation through better contract possibilities.

B. New Revenue or Efficiency Recommendations

1. As a first step, adopt a standard 'suite' of college computer configuration options to save \$20,000 annually in acquisition costs. Over the summer further development of ways to reduce costs in the ongoing acquisition of personal computers will be more fully developed.
2. As a first step, adopt new space scheduling practices to enable Conference Services to increase college revenues by \$35,000 without compromising academic space needs. Further work will continue this summer to examine the possibilities of further expanded year-round conferences and extended educational opportunities.
3. Implement a web based approach and assess a service fee to process on-line tuition, fee or housing payments to recoup credit card processing costs and net the college \$100,000 of new revenue once fully operational.
4. Implement a new annual fund telemarketing system to improve annual fund giving by \$50,000 each year as we expand outreach efforts to increase student scholarships and enhance teaching and learning through faculty development opportunities.
5. Continue to move forward implementing the Extension/Continuing Education program development to expand service to the region and to supplement the college budget. This summer, academics will offer a pilot program to begin testing the feasibility of this new direction for the college and will complete the development of a solid business plan for consideration by the faculty in fall quarter before a final plan is adopted.
6. Engage students regarding a technology fee to help support specific spending priorities as determined by the student body for the 2004-05 fiscal year. If the student vote is affirmative, the process and resulting fees could establish an improved partnership between the college and students to further develop and maintain a competitive instructional technology infrastructure.

C. Tuition, Financial Aid and Student Mix Recommendations

1. Establish a budget that assumes we grow non-resident student proportions from 21% to 22% as a way to minimize the possibility of a 'mid-course correction' in revenue collections next year which will yield an additional \$150,000 to \$175,000 of net new revenue each year.

2. Raise student tuition levels for resident undergraduate 7% and all other students 9% each year in the coming biennium to maintain the long-term viability of programs and services to students and the integrity of our academic programs in the future.

Tuition Increases:	Fiscal 2002-03	Fiscal 2003-04		Fiscal 2004-05	
	Current Rate	Amt. Of Increase	Total Proposed	Amt. Of Increase	Total Proposed
Resident Undergraduate	3,029	212	3,241	227	3,468
Resident Graduate	5,109	459	5,568	501	6,069
Non-Res. Undergraduate	11,853	1,067	12,920	1,162	14,082
Non-Res. Graduate	16,416	1,479	17,895	1,611	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 doesn't exceed a 7% annual limit. This table assumes that resident undergraduate tuition is increased 7% per year and all other student tuition levels are increased 9% each year.

3. Apply \$123,000 next year and \$152,000 in 2004-05 of the revenue from the tuition increases to college administered student recruitment and retention sources to ensure that our tuition waiver and locally administered financial aid accounts keep pace with the increase in tuition levels.

ESTIMATED TOTAL COST OF ATTENDANCE

	Resident Undergraduate			Non-Resident Undergraduate		
	Current 2002-03 Rates	Assumed 2003-04 Levels	Assumed 2004-05 Levels	Current 2002-03 Rates	Assumed 2003-04 Levels	Assumed 2004-05 Levels
Tuition and Fees						
Operating	2,908	3,110	3,329	11,379	12,404	13,520
Building	121	130	139	474	517	562
Student & Activities	411	411	432	411	411	432
Sub-Total	3,440	3,651	3,900	12,264	13,332	14,514
Health & Counseling	114	117	120	114	117	120
Technology Fee	-	-	120	-	-	120
Food Svcs. Facilities Fee	-	126	126	-	126	126
WASH-PIRG	18	18	18	18	18	18
Total Direct Costs	3,572	3,912	4,284	12,396	13,593	14,898
Dollar Change		340	372		1,197	1,305
Percent Change		9.52%	9.51%		9.66%	9.60%
Estimated Other Costs						
Books & Supplies	780	804	829	780	804	829
*Room (5 person apt.)	3,690	3,879	4,059	3,690	3,879	4,059
*Board Plan (if required)	1,500	1,500	1,500	1,500	1,500	1,500
*Discretionary Food \$'s	420	420	420	420	420	420
Personal Needs	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
Total Other Costs	9,402	9,709	10,010	9,831	10,151	10,466
Dollar Change		307	301		320	315
Percent Change		3.27%	3.10%		3.26%	3.10%
TOTAL ESTIMATED COSTS	12,974	13,621	14,294	22,227	23,744	25,364
Dollar Change		647	673		1,517	1,620
Percent Change		4.99%	4.94%		6.83%	6.82%
Biennial Dollar Change			1,320			3,137
Biennial Percent Change			10.2%			14.1%

D. One-Time Bridge Fund, Budget Cuts & New Revenue/Efficiencies

1. Apply \$1.2 million of the one-time 'bridge' fund to solve the budget shortfall next year. This avoids implementing more drastic budget reductions next year than are necessary to solve the 'permanent state' 2004-05 carry-forward budget level in the final legislative budget.
2. Instruct the CBC to develop a plan to implement a \$400,000 (1%) permanent base budget reduction in 2004-05 to brace for further declines in state budget levels.
3. Explicitly charge the Financial Futures Group to increase new net revenue streams or campus efficiencies by \$400,000 by the 2004-05 academic year to continue making progress on increasing and diversifying our funding structure.

E. Faculty and Professional Staff Recruitment and Retention

1. Apply \$79,000 to the faculty salary pool budget to offset some of the costs associated with recognizing faculty experience to respond to unique faculty recruitment and retention concerns.
2. Set aside \$45,000 to address the highest priority exempt recruitment and retention concerns as determined by the president and vice presidents.

Summary Conclusions

CBC believes that two significant issues must be given priority in the coming months. First, it is clear that we currently have limited options to address the decline in state funds. As you have

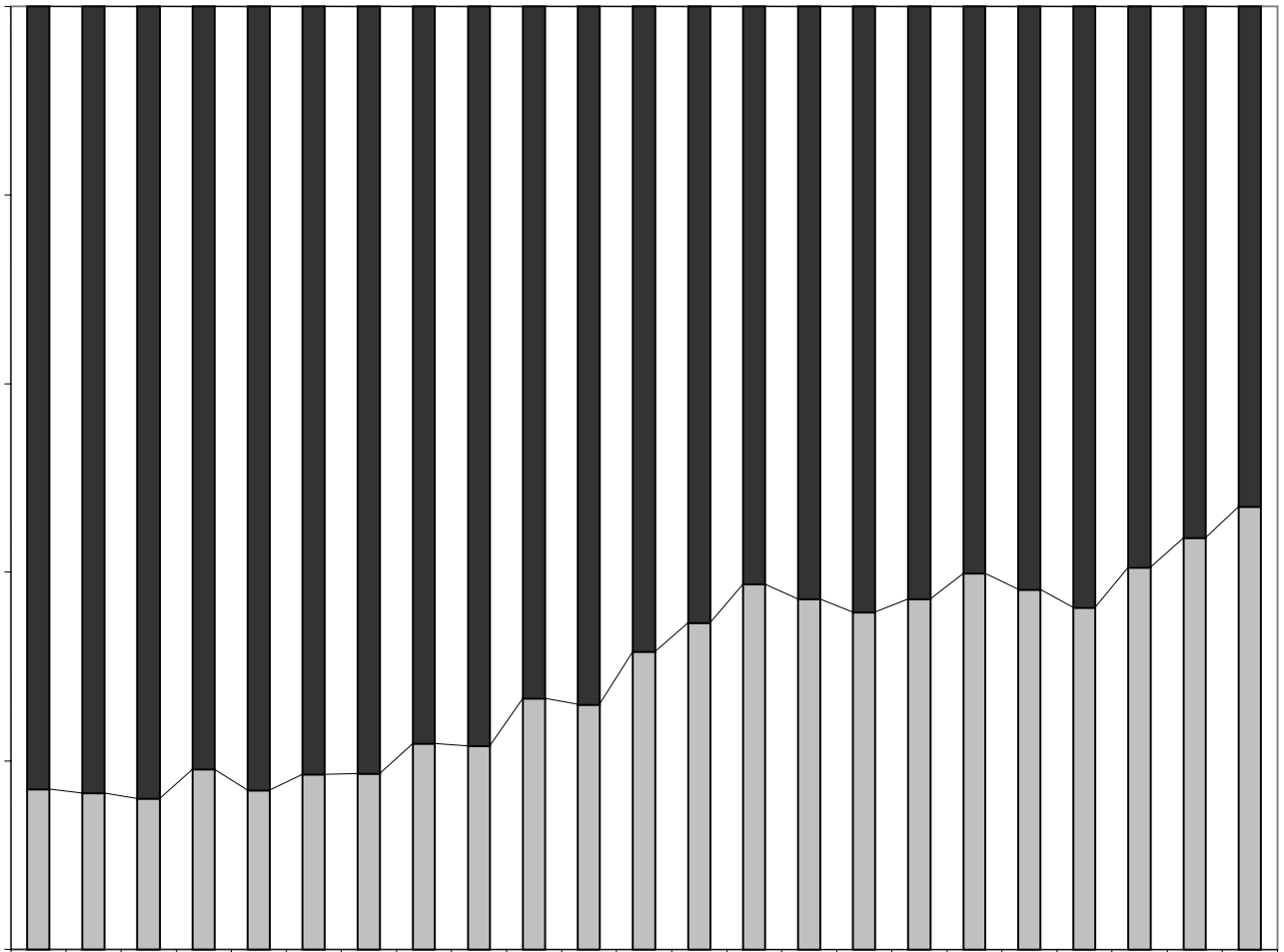
already heard from the CBC, most of the options available to the CBC were necessary to achieve a balanced budget strategy. We don't feel there is much choice in maximizing the use of one-time college reserves and cutting operating budgets, implementing maximum tuition and fee increases, and implementing every efficiency/new revenue proposal available to us.

In the last decade student enrollments have grown by 20%, faculty lines have increased by 16% and staff support has remained almost flat. Currently, the college has one of the lowest compensation levels for faculty and staff in the state, many initiatives for quality programs and service improvements remain unfunded, and we scramble to find the resources to do the best we can in funding the costs of instructional technology. This condition is not acceptable. We must find creative ways to generate the required resources to support college priorities.

Analysis of Staffing Patterns (1990-2000 SG-F & Tuition Supported Only)

	FY 1990 AA FTE	FY 1996 AA FTE	FY 2000 AA FTE	Ten Year Change	
				AA FTE Change	% Change
Student Enrollment Levels	3100	3406	3713	613	19.8%
Employment Levels by OFM Classifications (Note: Faculty on academic year contract ='s .75FTE)					

23 Year Shift in Operating Funding Proportions



□ Tuition ■ State General

The College Budget Council has worked hard to develop a draft proposal using all the tools available to it to solve the immediate problem before us. The College Budget Council also recommends that we act deliberately in the following areas:

- The campus community next year must be engaged in designing new revenue ideas, designing divisional budget reductions, considering new technology fee possibilities and examining the idea of activating high cost academic program fees (lab fees, etc.).
- We have already identified in our short-term balancing solution the importance of charging the Financial Futures Group to produce net new revenues next biennium to solve part of the college budget requirements. Fund and Fund Raising needs to become a larger coordinated campus-wide effort. But, this can't be done if we don't budget our time to it. We must commit structurally in ongoing effort to make real the opportunities to successfully accomplish our important work together. We must determine what is realistic and, in some cases, reconcile important campus values regarding the need for additional resources with how and from whom we would obtain those needed resources.
- We must also begin to design how the college will undertake the next long-range planning effort. The CBC came to the realization that long-term planning and crisis driven budget management are entirely different processes. Where one addresses the question of how we will balance the immediate budget concern, the other addresses what kind of campus we will be in the next decade. Clearly, we need to identify issues such as raising money in that effort. We must also consider the potential for long-term operational efficiencies perhaps by using technology more effectively and by becoming clearer on what aspects of our work should be eliminated as well as those that must be enhanced in the future. We must also develop a comprehensive enrollment growth direction that balances the financial and student demand implications with curricular and student support service design.
- In conjunction with the continuation of the work of the Faculty Reduction in Force DTF it is apparent that we must also define the parameters and identify a process by which the college would contemplate declaring financial exigency.
- Finally, all members of the CBC stand ready to serve in the coming year as further budget refinements become necessary.