

UNIVERSITY OF WYOMING

Date: June 4, 2009
To: All UW Employees
From: Tom Buchanan, University President 
Re: Budget Reductions, Fiscal Year (FY) 2010

In my May 18, 2009, letter to the university community, I promised to provide information about UW's plan to deal with the reductions in state revenues. We now know the amount of the reduction to UW's block grant will be \$18.3 million (10 percent) for FY 2010. However, given the need for UW to phase in our response to the reductions, the Governor has authorized that \$5 million in one-time academic facility matching funds be used in lieu of a reduction to the block grant. For FY 2010, UW's block grant has been reduced by \$13.3 million. This memorandum summarizes my decisions on how UW will respond to this reduction.

Throughout the spring, the UW community engaged in a thoughtful, institution-wide process of budget planning. That process provided a sound basis for making necessary reductions consistent with the university's core missions of teaching, research, and service. I thank all who participated. Nearly all of the measures discussed below can be found in University Plan 3, the white papers developed this spring under the direction of Provost Myron Allen, or the budget planning principles that guided the process.

Strategy for Addressing a Near-Term Reduction in State Revenues

As I stressed to the Board of Trustees at its May 7-8, 2009, meeting, UW will use a two-fold strategy to address the budget reductions. First, reduce expenditures. Second, identify other sources of revenue that can replace some of the funds being cut from UW's state-funded budget. Both strategies are crucial.

Given the nature of the university's operations, some of the measures employed will be phased in over the next three fiscal years. UW will reallocate resources on a one-time basis to allow the institution to ramp down functions that we cannot eliminate immediately.

Attached is a fiscal summary of the specific actions explained below.

Specific Actions

1. Hiring "squeeze". My April 13, 2009, memorandum in response to the Governor's Executive Order outlined the components of the hiring squeeze. All UW units will continue to comply with these directives throughout FY 2010. Classified staff vacancies that occur during the remainder of FY 2009 and FY 2010 will be filled only in rare circumstances and, even then, after a significant delay. In addition, I have asked the Division of Academic Affairs to reduce the amount allocated to new faculty positions in the central position management process by \$276,000 in FY 2010.

2. Staff shift to compensatory time. My April 13, 2009, memorandum also outlined the staff shift to compensatory time. In general, employees who are not exempt from the Fair Labor Standards Act will not be compensated for overtime work. However, these employees will be eligible for compensatory time. To ensure adequate security, the UW Police Department is exempt from this provision.
3. Central salary management – 15 percent into pay grade. Vice President Phill Harris' February 24, 2009, memorandum outlined the components of the central salary management policy. Effective March 1, 2009, funding for classified staff positions that become vacant or any budget established for new positions was set at 15 percent into the pay grade. All UW units will comply with these directives throughout FY 2010.
4. Support budget reductions. As most of you know, UW's Division of Administration reduced support budgets for all UW units by five percent for FY 2010.

During the 2008 budget session, I made a strong case to the Governor and the legislature that UW support budgets had remained essentially the same for more than a decade and needed attention. Support budgets fund a host of different, but important, parts of our enterprise, which range from lab equipment to software, and from utilities to travel. UW simply cannot function as a top quality institution without them.

The state responded to our 2008 budget request by providing \$1.6 million per year, or roughly one-fourth of the total increase proposed in UW's budget request. As reluctant as I am to give up these gains, minimizing cuts in UW's workforce will be critical to our success. For that reason, limiting support budgets is a significant element in the budget-reduction plan.

For planning purposes, units should expect an additional five percent reduction to support budgets in FY 2011.

5. Division budget reductions. In addition to the items above, I have asked each vice president to reduce expenditures during FY 2010 consistent with the different functions of the divisions and the priorities of the university. Many of these reductions are in support budgets and in part-time salary funding, where flexibility exists. I expect the vice presidents to identify and implement operating efficiencies in their respective units. I am holding myself to the same expectations as my vice presidents and will reduce my office's expenditures.
6. Intercollegiate Athletics. The university's principal mission is education, and research is integrally related to this mission. That said, for many Wyoming residents, intercollegiate athletics provides a key connection to UW.

I intend for UW to remain a competitive member of the Mountain West Conference. But, like other units at UW, intercollegiate athletics must share the burden of budget reductions. Therefore, along with the hiring squeeze and the support budget reductions described in items

No. 1 and No. 4, I have directed that state funding for intercollegiate athletics be reduced by five percent in FY 2010 and another five percent in FY 2011.

It is important to put these reductions in perspective. In the 2008 budget session, lawmakers increased UW's block grant by \$750,000 annually, based on our contention that additional resources were necessary to maintain competitiveness in intercollegiate athletics. The total reduction I'm proposing is substantially greater than the \$750,000 per year provided in the 2008 session. The priorities of our academic enterprise demand that. While many will perceive these cuts as a setback to athletics at UW, nearly 60 percent of UW's intercollegiate athletics budget is funded by revenues generated in that division. I am confident that our intercollegiate athletics program will work hard to generate additional revenue to ensure that our teams remain competitive.

7. Efficiencies and Effectiveness. When facing budget reductions for a fiscal year that begins in just a few weeks, it is easy to lose sight of opportunities to make the university's operations more efficient and effective in the longer term. It is often equally difficult to predict the amount of savings that may result by pursuing those opportunities. Nevertheless, I believe it is important to implement measures to reduce pressure on the university's Section I budget and to create, in as many places as possible, the flexibility we need to accomplish our goals.

Many of the following measures were identified in the white papers that were prepared during the spring semester. They are as follows:

- a. For all employees, the Payroll Office will convert to direct paycheck deposit with electronic notice.
 - b. The Division of Information Technology will implement a program of mandatory central IT purchasing. The division will also implement institution-wide efficiencies such as a single e-mail system, a single domain with sub-domains, and central consolidation of IT personnel throughout the university.
 - c. The Division of Administration will implement a system of business service offices to consolidate and coordinate accounting personnel across multiple departments.
 - d. The Human Resources Department will assume management responsibility for all federal Work Study funds and will direct the use of those funds toward educationally rich and institutionally meaningful roles for students, to the maximum extent possible.
 - e. All academic units will monitor and reduce the number of low-enrollment sections taught to accommodate reductions in UW's part-time and temporary instructional budgets.
8. Revenue replacement. UW must take additional steps to meet the demands of this budget reduction. The following are measures that shift UW's reliance on state funds to other revenue sources:
 - a. Institutional Advancement. Over the past several years, the UW Foundation has enjoyed an astonishing degree of success in its efforts to support UW's pursuit of

distinction through private philanthropy. Throughout the institution, there are dedicated professionals who work daily to make that success a reality, all of whom are UW employees funded through state resources. In these difficult times, UW's Foundation will use its resources to replace these state funds to the extent that it can do so prudently. With these resources, UW will continue to support a team of development officers employed by the university. However, (i) there will be fewer such positions; (ii) they will reside in the Division of Institutional Advancement instead of the Division of Academic Affairs; and (iii) units other than the Division of Institutional Advancement may no longer hire or employ fundraising staff.

- b. Miscellaneous sources. UW will implement a number of revenue replacement strategies where opportunities exist. These changes will be transparent to faculty, students, and staff, except for those involved in accounting and business planning. While the actual dollar amounts are relatively small on a case-by-case basis, in aggregate these measures are necessary to minimize the impacts to the instructional budget. Examples include the following:
- Requiring the Wyoming Statistical Analysis Center (WYSAC) to reimburse the Division of Academic Affairs for the salary of its director;
 - Transferring responsibility for salaries in the Enhanced Oil Recovery Institute (EORI) from the Section I budget in Academic Affairs to the School of Energy Resources (SER);
 - Transferring most of the salaries in UWTV, a unit within the Outreach School, to the Outreach School's tuition revenues, with a concomitant reduction in force;
 - Requiring the Wyoming Technology Business Center (WTBC) to reimburse the Office of Research and Economic Development for the salary of an associate director;
 - Requiring the Wyoming Natural Diversity Database (WYNDD) to reimburse the Office of Research and Economic Development for salary costs;
 - Requiring the Alumni Association to reimburse the Division of Student Affairs for salary costs;
 - Eliminating Section I funding for some programs and shifting to Section II funding for others in the Division of Student Affairs;
 - Increasing on-campus rental contracts with the Western Research Institute (WRI) to near market rates;
 - Increasing the auxiliary surcharge to each unit; and
 - Implementing TransPark budget changes to (a) increase permit fees and temporary parking fees; (b) eliminate citation discounts; (c) implement a student transit fee; (d) charge faculty and staff for bus passes; and (e) charge paratransit riders for service.

9. Libraries. There will be reductions in the collections budget of the University Libraries. In its recent budget requests to the Wyoming Legislature, UW has successfully made the case that UW Libraries must be funded at a level consistent with UW's role as a research university. We have worked hard to increase library acquisition resources to pursue membership in the Greater Western Library Alliance (GWLA). In the 2008 budget session, UW's block grant was increased by \$4.3 million annually, with the goal of seeking GWLA membership by 2012. Achieving GWLA membership would require a significant additional commitment in state funding during the upcoming 2010 budget session. In light of the state's current financial situation, that schedule is unrealistic.

Instead, for FY 2010, I have decided to redirect the \$4.3 million from the UW Libraries. However, I plan to restore \$2 million of that amount to the libraries' budget beginning in FY 2011. Be assured that I view GWLA membership as an attainable goal, and one that is important to UW's academic enterprise. The mandate to reduce UW's budget has, however, pushed that goal a bit further into the future than I had hoped.

10. Tuition. I am proposing two categories of tuition increases:

- a. Resident undergraduate tuition and tuition categories indexed to it. With the Hathaway Scholarship program and the tremendous support from Wyoming state government, the university has not increased tuition for resident undergraduates for three consecutive years. Nationally, UW is unique in that regard. As our peer institutions have raised tuition across the nation, UW's tuition and fees for resident undergraduates now stand at the first percentile.

Low tuition has many benefits, but there is a threshold below which it constrains the quality of education. Because of our low tuition, UW's funding portfolio is now so heavily weighted toward state general fund appropriations that a 10 percent reduction in state funding is far more difficult to absorb than if our revenue portfolio were more equally balanced.

To address budget cuts of the magnitude UW is facing—and to start building a more diverse funding profile for the future—I believe it is necessary to increase resident undergraduate tuition on a regular, measured basis, as we have done for non-resident undergraduate and graduate students. Tuition increases for resident undergraduates will not be effective before fall 2010, but it is time to start the discussion for subsequent years. Reasonable, consistent increases in tuition, with revenues directed toward the academic enterprise, will allow UW to get out in front of some of the institution's long-term fiscal challenges before they become unmanageable.

- b. School of Pharmacy and College of Law tuition. At public universities, tuition for professional degree programs such as law and pharmacy is substantially higher than that for undergraduate and other graduate programs. Much like tuition for undergraduates, UW's tuition for these two professional degree programs is among the lowest in the

country. I intend to propose to the Board of Trustees that tuition from students pursuing these degrees contribute a substantially higher proportion of the costs of education than they do now. The cost of these programs must rely less on state resources and should not be subsidized by tuition from other sources.

Like other tuition increases, any change in tuition for pharmacy and law would not be effective before fall 2010. However, I plan to pursue a discussion with the Board of Trustees to consider increases in the tuition differentials for these degrees on the condition that the proceeds from the increased differentials will be directed exclusively to the costs of instruction for these programs. In the near term, increases in tuition differentials will be used to replace general-fund support for existing budgets in law and pharmacy.

11. Eliminating units and reducing personnel. Lastly, as I indicated in my May 18, 2009, letter to the university, given the magnitude of the budget reduction by the state, the need for UW to set priorities for its spending, and the fact that nearly 80 percent of our state-funded operating budget is dedicated to personnel costs, it is necessary for UW to reduce its workforce. This measure entails some employees losing their jobs.

I have not come to this decision lightly. Loss of employment is a serious matter for the people affected, for their families, and for the community. My conclusion underscores both the magnitude of the budget reduction we are facing and my concern that we not let random attrition dictate the future of our workforce.

Effective July 1, 2009, I have ordered the elimination of the following programs and retrenchment of some classified staff members employed in them:

- Athletic Training Concentration (phase out program)
- Centennial Singers (elimination of program)
- Center for Conferences and Continuing Education in the Outreach School
- Geology Museum
- Graduate School (as a separate administrative unit; graduate-level academic programs will remain in place and the Divisions of Academic Affairs and Student Affairs will absorb the administrative functions)
- UW National Ambassadors
- UW Visitor Center
- Weeks of Welcome
- Wellness Center and Health Promotion
- Wildfire Dance Team
- X-ray services at Student Health Service

With these unit eliminations and other reorganizations, including a position reduction in the Office of Institutional Analysis, there will be a reduction of a total of 45 full-time classified

staff and at-will positions at UW for FY 2010. The attached summary shows the areas in which these reductions will occur and the number of positions affected.

I want to assure the entire university community that UW is scrupulously following its regulations and external guidance provided by professional employment experts in implementing these reductions in force. Further, UW is offering support for the affected employees beyond what the regulations require, including providing outplacement counseling services to assist them in this transition.

The affected employees are being advised by their vice presidents of these actions today, June 4, and are being provided comprehensive information about their options. This approach may seem sudden, but in my judgment it is better for the affected employees to find out first, directly from the university's most senior officers, than to let the news trickle out slowly over the course of days or weeks or through the grapevine.

Consistent with UW's core mission of instruction, these reductions in workforce do not affect any employees who have significant, credit-bearing teaching responsibilities. Moreover, I intend for the reductions in force listed above to be the only ones implemented to accommodate the budget reduction ordered by the Governor. While it is impossible to know what FY 2011 will bring, I have tailored UW's strategy for FY 2010 so that the university will be as well positioned as possible for whatever economic circumstances may prevail.

I know some people will strongly disagree with some of these decisions and argue that other actions should have been taken. Any budget reductions of the magnitude we are facing will provoke disagreement. In an academic organization, any decisions, whenever they are made, will leave those who are most deeply affected wishing there had been more time for advanced notice, collaboration, and debate. I have adhered to the principles and concepts that emerged from Provost Allen's budget planning process and heeded the counsel of my vice presidents who have demonstrated a long-standing commitment to the institution. In the end, though, the decisions are mine.

The character of UW as an institution is reflected in how we treat our employees, especially those who serve in positions identified for elimination. We have a duty to make difficult financial decisions as part of our responsibilities to accomplish the university's mission. We have an equally important responsibility to ensure that employees who are affected by these difficult decisions are treated with the utmost respect and consideration. We will do just that.

Moving Forward

I have asked all vice presidents and related administrative staff to be open and thorough with our communications for all of the units, faculty, staff, and students. Furthermore, I am committed to maintaining open lines of communication, including periodic status reports, as we implement these actions.

It is tempting to neglect the substantial resources entrusted to us to continue our work at the university, and instead focus entirely on the steps UW is taking to deal with budget reductions. Let me reflect on the nature of these steps:

- The reductions allow UW to continue advancing the areas of distinction cultivated during a decade's worth of academic and university planning. The reductions also leave intact the institution's commitments to address such important, longstanding issues as diversity, internationalization, graduate academic programs, and the enhancement of UW's learning environment.
- While the hiring squeeze will inevitably affect the academic enterprise over time, the measures I have outlined leave UW's faculty workforce intact. Refining our efforts to use resources that become available through staff retirements or resignations makes good sense, even in good economic times.
- The reduction in support budgets is regrettable but is far preferable to further layoffs. I view these reductions, and the reductions in our library budgets, as temporary setbacks. We will work to restore them over time.
- We authorized salary raises for FY 2010, and these will be communicated shortly, if your unit has not already communicated the results. Not everyone received the raise he or she wanted, but it is noteworthy that we were able to give any raises at all. My vice presidents and I share with the Governor a common principle that it is better to treat the employees we have as well as we can, even if doing so requires the university to reduce its workforce.

Our remaining resources provide a solid foundation upon which to provide top quality education to our students. To be sure, the budget reductions will require us to be more prudent in how quickly we implement the university's plans. But it is precisely these plans that must guide us through the months and years ahead. Wyoming residents expect their only public university to exercise leadership in facing challenging times. I am confident we will meet these expectations and continue to merit the confidence of the residents of our state.

Attachments

University of Wyoming
FY 2010 Budget Reductions
Fiscal Summary
June 4, 2009

<u>Actions</u>	<u>Fiscal impact (approx)</u>
1. Hiring squeeze and 4/19/09 vacancies	\$1.4M
2. Staff shift to compensatory time	\$0.2M
3. Central salary management	\$0.5M
4. Support budget reductions	\$1.8M
5. Division budget reductions	\$1.2M
6. Intercollegiate athletics reductions	\$0.6M
7. Efficiencies and effectiveness	Not quantifiable
8. Revenue replacement	\$2.3M
9. Library collections	\$4.3M
10. Tuition	To be determined for FY 2011
11. Eliminating units and reducing personnel	<u>\$1.0M</u>
	\$13.3M
Return of academic facility matching funds	\$ 5.0M
Total	\$18.3M

University of Wyoming
FY 2010 Budget Reductions
Positions Eliminated
June 4, 2009

<u>Unit</u>	<u>Positions eliminated</u>
Conferences & Continuing Education	11
Graduate School	6
Geology Museum	2
UW TV	2
Student Health Service	3
Center for Advising and Career Services & Dean of Students	3
President's Office	1
Institutional Analysis	1
National Ambassadors Program	4
Constituent Development Officers	<u>12</u>
	45 (a limited number of new positions will be created)