

2009 BUDGET REDUCTION SUMMARY FOR UW'S ACCREDITATION SELF-STUDY

Overview of budget impacts

In June 2009, Wyoming Governor Dave Freudenthal directed all state agencies to reduce their budgets, in anticipation of significant reductions in state revenues for fiscal years 2010, 2011, and 2012. The basis for the projected revenue losses was a drop in mineral tax revenues expected to result from the recession's effects on prices of energy commodities, especially natural gas. This chapter reviews the size and scope of the impacts on UW, the planning process that the institution followed to guide the required budget reductions, and the specific measures undertaken to address the Governor's mandate.

For UW, the reduction amounted to a 10 percent cut in legislature-appropriated funding — \$18.3 million/year from the university's main operating budget, often called the "block grant". (This amount is slightly more than seven percent of UW's total section 1 budget, which includes tuition revenue and several other sources of money.) The reductions also cut proportional amounts from three much smaller accounts associated with medical education, the Western Interstate Commission for Higher Education, and the Enhanced Oil Recovery Institute. The Governor's mandate left intact UW's capital construction budgets, the federally funded budget for the School of Energy Resources, and revenue-based budgets, such as those for externally sponsored research.

The state-mandated budget cuts per se had no effect on distributions from the UW Foundation, which reached \$16.3 million in fiscal year 2008. However, sharp declines in investment markets have reduced those budgets as well. The 2009 Wyoming State Legislature provided important relief by modifying the statute that governs endowments. This legislation allowed the Foundation to revise the spending policy that it uses to compute the annual payout from endowed gift accounts. Although the new spending policy does not eliminate all market effects on endowment-generated revenues, it allows for smoother, more predictable changes in payout in response to investment market declines.

UW's budget planning process

Anticipating these recession-driven effects, UW President Tom Buchanan asked Provost Myron Allen in late January 2009 to oversee a budget planning process.^{1,2} The purpose of the process was to involve all sectors of the university community in analyzing institutional priorities and in formulating recommendations for how to manage the expected reductions. In response³, Provost Allen called on 11 constituency groups to develop "white papers" that (1) identified three tiers of UW's activities: (a) programs in the core mission, (b) programs required to sustain the core mission, and (c) enhancements to the core; (2) which elements of UW's operations, institution-wide, belong to these three tiers; (3) which elements of the constituency group's bailiwick belong to the three tiers; and (4) specific ideas for budget reductions that may not neatly fall into this three-tier framework. The following table lists the constituency groups.

Constituency Group	Leader
ASUW	Former president Kelsey Day
Division of Administration	Former vice president Phill Harris
Division of Government, Community, and Legal Affairs	Vice president Rick Miller
Division of Information Technology	Vice president Robert Aylward
Division of Intercollegiate Athletics	Director Tom Burman
Division of Institutional Advancement	Vice president Ben Blalock

¹ T. Buchanan, "Statement to the UW Community on the Economy," memo dated 20 January 2009, http://www.uwyo.edu/presidentsupport/outbox/2009/Economy_Jan2009%20.pdf, accessed 16 July 2009.

"Update on Budget Planning Process," memo to UW employees, dated 13 February 2009.

² T. Buchanan, "Update on Budget Planning Process," memo to UW employees, dated 13 February 2009.

³ M. Allen, "Budget Planning," memo dated 13 February 2009, http://www.uwyo.edu/presidentsupport/outbox/2009/budget_planning_instructions_09.pdf, accessed 16 July 2009.

Division of Research and Economic Development	Vice president Bill Gern
Division of Student Affairs	Vice president Sara Axelson
Staff Senate	Former president Jauque Schuman
Faculty Senate	Former chair Hannelore Mundt
Deans' and Directors' Council	Dean of Education Kay Persichitte

At the same time, the Office of Academic Affairs proposed a set of six key principles to guide the anticipated budget reductions. These key principles appeared both in the feedback that Provost Allen sent in response to first drafts of the “white papers” and in a document distributed at the spring faculty meeting (to which all members of the UW community were invited) on 1 April 2009.⁴ The key principles were as follows:

KEY PRINCIPLES OF BUDGET PLANNING

1. **Planning as priority setting.** Any measures undertaken to manage a reduction in UW’s legislature-funded budget must mesh with the institution’s strategic plans.⁵ Planning is a vehicle for establishing and pursuing priorities, not simply for directing new resources. Hence our plans should guide our choices of what to preserve, what to strengthen, and what to reduce. Budget control measures that rely exclusively on unplanned events — such as hiring freezes that permanently penalize units only because they suffer ill-timed retirements and resignations — defeat this principle. If new measures are required to constrain hiring or other resource flows, they must include mechanisms to ensure consistency with UW’s plans.
2. **Centrality of academics.** As an academic institution, UW has a responsibility to manage budgets in a fashion that verifiably advances its academic strength. As it has in more promising economic eras, UW will continue to make prudent decisions about the appropriate distribution of resources among its academic programs and will continue to follow its regulation-prescribed processes for adding and eliminating them. But, absent cuts large enough to negate the gains of the past decade, it is academic planning and not budget reductions that should drive these decisions.
3. **Job quality.** UW must preserve its ability to compete with the best institutions in the world for talented employees, and it should strive to be Wyoming’s model employer. Toward these ends, the university should avoid reductions in compensation. History shows that failure to maintain attractive salaries and benefits leaves the institution vulnerable to the immediate loss of some of its best employees and leaders, and it results in persistent discrepancies between UW’s salaries and those that prevail nationally. UW should seek to *improve* its employees’ compensation at every opportunity. It is better to have a smaller number of well treated employees than to preserve a larger number at the expense of compensation.
4. **Tuition policy.** A coherent tuition policy is a necessary part of any rational university budget planning. From 1986 to 2006, UW’s resident undergraduate tuition increased at an average rate of 8.3 percent per year. Since then, most students’ tuition rates at UW have remained constant or nearly so. This more recent policy enjoys some rationale in times of rapidly increasing fiscal support from the state. However, if UW must manage state-mandated budget reductions, a judicious, multi-year plan for tuition increases must be part of the discussion.
5. **Cost-effective practices.** UW’s managers continually examine the university’s operating practices and their outcomes, to identify more effective and efficient ways to accomplish the mission. Budget planning furnishes an explicit opportunity for all members of the UW community to undertake this type of self-scrutiny. Examples of measures worth exploring include the establishment of pools of business-service staff that serve several departments simultaneously, central coordination and support of information technology professionals, greater restraint in the

⁴A video recording of that meeting is viewable at <http://www.uwyo.edu/president/info.asp?p=9271>, accessed 16 July 2009.

⁵ A near-final draft of University Plan 3 (2009-2014) was in circulation during the budget planning period.

delivery of small-section classes, and careful pruning of the curriculum to offer fewer classes overall. Many such measures are worth instituting even in the absence of mandatory budget reductions, and many others can prove valuable as pressure-relief mechanisms, even if they don't yield easily quantified cost savings.

6. **Infrastructure.** Excellence in academics requires sophisticated infrastructure. This realm extends beyond the obvious need for heat, light, plumbing, and roofs. It includes modern classroom technology, high-performance data networks and computing equipment, distance-learning facilities, and state-of-the-art offices, laboratories, studios, and collections. Effective budget planning must preserve and, if possible, enhance the institution's capacity to maintain and upgrade the infrastructure required for learning at all levels, from the entry-level curriculum to the frontiers of knowledge and creativity.

In response to the final white papers⁶, on 1 May 2009 Provost Allen delivered a report⁷ to President Buchanan with structural recommendations for reducing UW's budget. The Office of Academic Affairs distributed this report electronically to the university community. The provost's report analyzed the elements of UW's operating budget according to program categories defined by the National Association of College and University Business Officers (NACUBO). The report identified instruction, research, and public service as core program categories. The report cautioned that not all activities belonging to these categories are equally central to the university's mission, nor should all activities in these categories necessarily be immune to budget cuts. One of the report's most important recommendations was as follows:

Eliminating programs and functions, even nonacademic ones, inevitably arouses controversy. If one accepts the premise that instruction lies at the core of UW's mission, there is a compelling reason to resist the elimination of academic degree programs as a budget reduction measure *per se*. UW continually adds and eliminates degree programs *based on the institution's academic plans and areas of distinction*; I propose that we retain this policy unless faced with unexpectedly drastic budget reductions. In any case, rejecting program elimination just to avoid controversy will severely limit the university's ability to adhere to the key principles outlined earlier.

During the regular meeting of the Board of Trustees held 7-8 May 2009 and again at the Trustees' retreat on 29-30 May 2009, UW administrators met with the board to discuss elements of a budget reduction plan. At their business meeting on 30 May, the Trustees approved the budget reduction plan proposed by President Buchanan, subject to yet-to-be-received information from the Governor on the required magnitude of the reduction.

On 4 June 2009, Governor Freudenthal issued specific directives to state agencies to reduce their budgets.⁸ On that same day, President Buchanan distributed a memorandum⁹ to the UW community detailing the university's plans for meeting the Governor's mandate. The next section is a summary of those plans.

Summary of budget reduction measures

UW's budget reduction strategy consists of three elements:

⁶ The final "white papers" are viewable at <http://www.uwyo.edu/president/info.asp?p=11789#Revised>, accessed 16 July 2009.

⁷ M. Allen, "Budget planning recommendations", memo to President Buchanan dated 1 May 2009, http://www.uwyo.edu/presidentsupport/outbox/2009/whitepapers/provost-to-president_09.pdf, accessed 16 July 2009.

⁸ See <http://governor.wy.gov/press-releases/governor-reduces-budget-by-2316-million.html>, accessed 20 July 2009.

⁹ T. Buchanan, "Budget Reductions, Fiscal Year (FY) 2010", memo to all UW employees dated 4 June 2009, viewable at http://www.uwyo.edu/presidentsupport/outbox/2009/Budget%20Memo-June_4_to_campus%20FINAL.pdf, accessed 16 July 2009.

- Reductions in budgeted expenditures, beginning in fiscal year 2010.
- A buffer fund to allow full implementation over the course of two fiscal years.
- Measures to reduce pressure on budgets (program efficiencies).

Reductions in budgeted expenditures. The first element involves reductions in expenditures ultimately totaling \$18.3 million/year. Because personnel costs — salaries and benefits — account for 77 percent of UW’s section 1 operating budget, it was unrealistic to implement these reductions fully at the start of fiscal year 2010. Instead, the target reduction for fiscal year 2010 is \$10.7 million/year, with full implementation of the \$18.3 million/year reduction slated for fiscal year 2012. The table below summarizes the budget reduction measures and their targets for fiscal year 2010.¹⁰

Measure	Amount
Central salary management for staff* <ul style="list-style-type: none"> • Restricting starting salaries to 15% into range defined for each pay grade 	\$0.5M
Staff hiring squeeze* <ul style="list-style-type: none"> • Elimination of selected positions through attrition • Elimination of section 1 overtime budgets 	\$1.7M
Libraries acquisition budget reduction <ul style="list-style-type: none"> • Following \$4.3M increase in FY 2006 	\$2.0M
Tuition increases* <ul style="list-style-type: none"> • Implemented in FY 2011 and beyond • Includes shifts in funding for JD and PharmD faculty via tuition differentials 	
General reductions in support and other budgets* <ul style="list-style-type: none"> • Following \$1.5M/year increase in FY 2008 • Additional reductions of \$1.7M/year in FY 2011 	\$2.6M
Reduction in Intercollegiate Athletics* <ul style="list-style-type: none"> • First year’s installment of a 10% reduction (\$1.1M) from FY 2011 onward 	\$0.6M
Reductions in specific units <ul style="list-style-type: none"> • Center for Conferences and Continuing Education (elimination of positions and program) • UWTV (reduction in force) • Graduate School (elimination of positions and redistribution of administrative functions to other offices) • Geology Museum (elimination of section 1 funding for positions) • Office of Institutional Analysis (reduction in force) • Enhanced Oil Recovery Institute (shift in funding for director’s salary) • WySAC (shift in funding for director’s salary) • Alumni Affairs (shift in funding) • WyNDD (shift in funding) • Wyoming Technology Business Center (shift in funding) • ASUW (shift in funding for business manager’s salary) • WRI (increase in rent) • Centennial Singers (elimination of program) • IT personnel consolidation • UW Visitors Center (reduction in force) • Weeks of Welcome (elimination of program) • Wildfire Dance Team (elimination of program) • President’s Office (reduction in force) 	\$1.8M

¹⁰ The data in this table differ in some instances from data presented in President Buchanan’s memo of 4 June 2009. The data here reflect corrected estimates provided by the Budget Office and the Office of Academic Affairs.

Foundation funding for development <ul style="list-style-type: none"> • Elimination of fund-raising positions in academic units • Creation of Foundation-funded positions in Institutional Advancement • Elimination of section 1 funding for Foundation operations 	\$1.2M
Faculty hiring squeeze* <ul style="list-style-type: none"> • Tax on captured pool of vacated faculty salaries • Decrease in tax by a factor of 2 in FY 2011 and again in FY 2012 	\$0.3M
TOTAL	\$10.7M

* Not implemented immediately on 1 July 2009.

Buffer fund. For many of the measures listed above, it is not feasible to accrue the savings listed immediately at the start of fiscal year 2010. In some cases, implementation will occur throughout the year, for example as additional positions become vacant that can replace positions captured and frozen in April 2009. For some measures — for example tuition increases and support budget reductions slated for subsequent fiscal years — the savings required to meet the budget reductions will not be available until fiscal year 2011 or later. To accommodate these cases, the university is drawing on a one-time buffer fund. These monies make up the \$7.6 million/year difference between the \$10.7 million/year in reductions effected in fiscal year 2010 and the \$18.3 million/year target. The table below lists sources of this buffer fund for fiscal year 2010

Buffer fund source for fiscal year 2010	Amount
Delay in Library acquisitions increase	\$2.3M
Budget reserves in nonacademic divisions	\$0.3M
Redirected endowment matching funds	\$5.0M
TOTAL	\$7.6M

Pressure reduction measures (program efficiencies). Recognizing the difficulties that budget reductions will impose on UW's operations, President Buchanan directed the university to implement several additional measures to relieve some persistent sources of inefficiency and pressure on the operating budget. In most cases it is difficult to assign a specific dollar amount to the savings that these initiatives will yield, either because those amounts are unpredictable (as in utility costs) or because there may be unforeseen opportunities to accomplish the functions more efficiently). Among those measures are the following:

- Central management of IT purchases (including research computing)
- Central consolidation of IT personnel throughout the university
- Consolidation of accounting and business service positions
- Continued use of major maintenance funds to reduce UW's utility bills
- Class size management and reductions in low-enrollment sections
- Reductions in number of sections offered
- Elimination of Athletic Training concentration in the Department of Kinesiology & Health
- Direct deposit of all paychecks
- Management of work-study funds in the Human Resources Department
- Increases in parking and transportation fees
- Redirection of student fees from Wellness Center to disability services
- Elimination of x-ray services at Student Health Center

Key findings

- In anticipation of reductions in state funding, the university undertook an institution-wide budget planning process, to gather perspectives on the principles and priorities to be used in implementing budget cuts.
- The process emphasized preservation of the institution's core program categories — instruction, research, and public service — and identified a set of principles to guide budget reduction decisions. Among those principles was an emphasis on the importance of strategic planning, the centrality of academics, attention to the quality of jobs, the need for a clear and rational tuition policy, the institution's responsibility to cultivate cost-effective business practices, and the importance of infrastructure.
- The final decisions reflect these principles, in some instances arousing controversy. Examples of this fact, and of the tensions that it has created, include the following:
 - Strategic planning: The budget reductions left intact the budgets for major university initiatives, including the School of Energy Resources, the National Center for Atmospheric Research (NCAR)-UW supercomputer center, and the GE Energy-UW High Plains Gasification Advanced Center. The reductions left in place all proposals for new degree programs listed for consideration in University Plan 3. Although UW eliminated funding for the Graduate School as an administrative unit, it left intact all funding for state-sponsored graduate assistantships, including tuition waivers and health insurance. It left intact all funding for initiatives related to diversity and internationalization.
 - Centrality of academics: The reductions left intact the increases in faculty workforce (over 40 new faculty positions) implemented since 2006. They left intact all academic majors at the baccalaureate and graduate level. Controversy has arisen in connection with the reductions of several units and programs that were not directly responsible for credit-bearing instruction, including the Geological Museum, college-level fund-raising, the Libraries, the Wyoming Survey Analysis Center, and the Center for Conferences and Continuing Education.

The reductions also left intact the infrastructure for the assessment of student learning established during the past decade, including the university assessment specialist and the college assessment coordinators' committee

Still, the impacts on academics are hardly insignificant. Three major categories of reduction in particular — the staff hiring squeeze, the reduction in the libraries' collection budget, and the reduction in general support budgets — will affect the academic mission. Some administrators who recently came to UW after serving at other universities have observed that UW is sparsely staffed in comparison with their previous institutions. The planned reductions in classified staff positions will only exacerbate this perception. The libraries' collection budget and academic support budgets have been the beneficiaries of successful, high-priority budget requests to the legislature in recent years, based on the argument that these budgets are important to sustain high-caliber academics. The administration has made it clear that these budgets will be near the top of the priority list for future budget requests when the state's economy improves.

The tax on the captured pool of vacated faculty salaries is likely to result in the loss of a small number of faculty positions — perhaps as many as five — over the next two or three years. However, careful use of UW's central position management process can help minimize these losses. It can even help replace the losses if UW can control the need for senior-level faculty hires by more effectively cultivating faculty leaders from within.

- Job quality: UW administered salary raises averaging four percent (and totaling \$6.7 million/year in salaries and benefits) for fiscal year 2010. In addition, the Board of Trustees considered and passed a motion permitting the administration to institute a voucher system for health care benefits for domestic partners as soon as the university's

budgets permit. Some critics denounced the administration for raises and for consideration of possible new benefits upon learning that the budget reduction measures entailed a reduction in force of 45 employees.

- Tuition policy: The Board of Trustees has agreed to consider proposals for tuition increases for resident undergraduates, after a three-year moratorium on such increases.
- Cost-effective practices: The pressure-reduction measures instituted in the President's budget reduction memo of 4 June 2009 are examples of such practices.
- Importance of infrastructure: The university has not attempted to meet its obligations to reduce annual operating budgets by shifting the burdens to one-time construction funds. (In most instances, such shifts are not legally permissible.) Existing construction projects remain intact. UW's capital construction requests to the state legislature, its leadership role in the Governor's statewide distance education and telecommunications task force, and its engagement in long-range development planning reflect an institutional commitment to come out of the recession positioned as strongly as possible for the infrastructural needs of the future.