

Budget Planning White Paper

Constituent Group: Deans' and Directors' Council

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On February 12, 2009, Provost Allen charged the Deans' and Directors' Council of the University of Wyoming to develop a white paper that would provide input regarding internal reallocation of budgets in response to the current worldwide economic recession and Wyoming Governor Freudenthal's request of all state agencies to develop budget proposals for 5% and 10% reductions in state-funded budgets for FY 2010 and beyond. We recognize the importance of this task given our University Plan 3 efforts and view this as an opportunity to focus on what the University wants to achieve in the coming years. This final version of our white paper includes our response to the suggestions offered by the Provost on a draft submitted March 13, 2009. The Deans' and Directors' Constituent Group wishes to thank President Buchanan for the opportunity to develop this white paper and respectfully requests that we continue to be engaged in decisions regarding the implementation of any budget measures.

The Deans and Directors of academic units engaged in a process to gather unit level input while collaborating to formulate a synthesis of commonalities and priorities. Two ground rules governed our work: (a) emphasis on preserving and advancing UW's academic quality and stature and (b) budgetary measures consistent with the University's mission statement, vision, and university plan. The academic units represented here are at the core of "our mission to explore, create, and share knowledge, in areas that are meaningful to our constituencies and at a level of accomplishment that garners international recognition." It is worth noting the importance of interdisciplinary programs crossing departmental and college boundaries as deans and directors prioritize these programs within their own majors. This process brought to light potential long-term deleterious impacts of decisions that might impact recurring expenditures of Section 1 state funds¹. The University has a history of decisions made during similar financial downturns from which we can learn. Budget reduction decisions should take into consideration the longer-term strategic elements of our respective University Plan 3 (UP3) documents in order to stay true to the two ground rules for this process.

As a comprehensive land grant university and the state's only university, the University of Wyoming has a broad mission for education, research/scholarship, and state service. By far our largest constituency consists of our undergraduates, who expect the University to provide them with learning opportunities of the highest quality as well as the opportunity to complete their undergraduate degrees in a timeframe of four or five years. Not to meet the expectations of this constituency is to place the legitimacy of the entire university in jeopardy. In addition, if the University views itself as a major land grant university, research, graduate education and service to the state are essential. Budget priorities must, then, be viewed through this lens. Since about 95% of each academic unit's legislatively appropriated Section 1 funds are committed to faculty, staff, and student salaries, any major cuts (or shifts in funds) would entail eliminating staff and faculty positions. Such reductions, without innovative restructuring, could adversely affect the core elements of the University described below. However, an incisive consideration of the University's academic enterprise is essential. We, as Deans and Directors, must ask

¹NOTE: ALL references in this document to "Section 1" funds refer to state-appropriated funds; these funds are fully distinct from federal Section 1 funds.

ourselves if we are doing too much, if there are things we can do without, and if there are things we can do differently. In addition, it will be essential to consider other budget reduction (shift) areas, such as support budgets and a set of miscellaneous smaller-scale fiscal opportunities that may not be sustainable. Such suggestions are included here knowing that support budgets have not kept pace with inflation and that salary savings are currently being used to prop up support, personnel, and research startup budgets. Having said this, many of the cost reduction strategies listed below target non-essential student and support services rather than academic affairs. This is because academics are the core of the University's mission, and therefore should not bear the brunt of budget cuts. We include here recommendations for increasing revenue streams as a strategy to address any potential shortfall. We also recognize and accept a responsibility to collaborate with other units (e.g., Office of Research & Economic Development) in further identification of shared budget reductions, cost efficiencies, and the implementation of revised budget policy.

Our primary focus was UW's Section 1 budget (general funds) but we have examined other portions of the budget, including those sustained by self-generated revenues. Most university units depend upon both Section 1 and Section 2 funds for daily operations and we recognize that reductions in Section 1 funds may adversely impact Section 2 funds and/or operations. An important consideration is that reductions of Section 1 funds do not adversely impact the University's capacity to generate Section 2 funds. On the other hand, in some instances increasing reliance on Section 2 funding can and should free Section 1 funds to offset potential state reductions.

Undergraduate teaching, research, and learning

The University's mission is to deliver high quality undergraduate learning experiences, both within disciplines and in integrated interdisciplinary programs. Much has been written about what constitutes high quality undergraduate education; many of these metrics create tradeoffs under a scenario of budget reductions. For example, small classes, widely recognized as providing the best learning experiences and also identified by UW as the distinction of personalized education, are not budget efficient. That said, an examination of our undergraduate teaching enterprise will require the University to identify redundancies in expertise and course offerings in order to increase efficiencies. Also, the University should determine efficient modes of course delivery that balance effective teaching and budget constraints.

It remains to be seen if the recent downturn in the economy will affect enrollments at the university. Among the possible effects on enrollments are changes in motivation and levels of background preparation of students coming to UW for the next few years. As we examine budget cuts in the undergraduate programs, we should keep these possible effects in mind. The University Plan 3 (UP3) outlines academic goals and areas of distinction and we should continue to use the university planning process to define priorities and guide resource allocation.

Graduate teaching, research, and learning

Short-term adjustments in Section 1 funds must not adversely affect the quality of graduate education and research. These activities are central to the University's mission, and depend extensively on both Section 1 and Section 2 funds. However, a measure for excellence in graduate and professional education should be how well students and faculty are thriving. We might certainly question the health of a program that graduates one Ph.D. student every two or three years. The Carnegie Foundation for the Advancement of Teaching has published several books about graduate and professional education that contain indices that UW might use for judging quality in its graduate programs. For example, we might consider reviewing and restructuring graduate and professional education as appropriate for greater alignment with the quality indicators identified in *The Formation of Scholars* (Walker, Golde, Jones, Bueschel, & Hutchings, 2008). In our efforts to improve UW graduate education, we have created interdisciplinary programs, instituted regular program reviews and in some cases eliminated programs judged to be ineffective uses of resources, and implemented best practices to enhance graduate education. Though the short-term fiscal benefits of such decisions may be minimal, these scenarios provide the opportunity to emphasize what differentiates us as a university (e.g., a highly personalized learning environment) and as inter-dependent academic units.

Sections One, Two, & Three.

The Deans and Directors of UW's academic units do not believe that it is appropriate to separate the core elements of this university from the major elements of our essential operations or from the inherent academic mission of this constituency group — even across the three tiers elaborated below. Consequently, the three sections have been combined.

Core elements of UW's mission: all targeting student learning outcomes

The University mission statement and university planning should always guide the core of the university. Excellence in these core areas is critical to the mission of the University and the essence of what the University "is." These activities should not be compromised by budget reductions. Within core activities, however, there are component activities that may not be core to the University. Each college and unit should independently examine its operations, focus on core elements, and seek budgetary efficiencies through elimination of non-essential activities. The core elements of the University's mission are:

1. Teaching and Learning
 - a. Undergraduate programs (general education & academic majors)
 - b. Graduate programs
 - c. Professional programs
2. Research, Scholarship, and Creative works
3. Service to Wyoming
 - a. Outreach (delivery of academic programs and facilitation of service to the state)
 - b. Clinical Health Care Services [Health Sciences]
 - c. Professional Service [Education, Law, Veterinary, Engineering, Psychology]
 - d. Extension (faculty, field, cultural, and Research and Extension Centers)

High-priority activities that support the core (in no particular order):

These activities are essential to the core. Most are illuminated in UP3 as areas of distinction, and each can be shown to support at least one of the three core elements outlined above. It is appropriate to analyze each activity to determine efficiencies and to continue to strive for quality in program services. Reductions in these areas may reduce competency and quality with long-term damaging effects.

- Recruit and retain high performing faculty
- Ensure reasonable faculty capacity to meet program need
- Provide and maintain competitive salaries
- Recruit and maintain quality graduate assistants for teaching and research
- Provide competitive research support and incentives
- Ensure faculty support for travel, research, and development of internationally recognized scholarship
- Maintain excellence in library information services (collections, personnel, and operations of University Libraries and Law Library) and continue to pursue membership in the Greater Western Library Alliance (2012)
- Support statewide access to UW distance academic programs through Outreach distance delivery supported by revenue sharing with academic units
- Maintain sufficient support staffing (e.g., technical, fiscal)
- Maintain excellence in IT support services and access to computing resources
- Maintenance of the physical plant and a safe environment
- Maintain excellence in other academic units identified as highly visible and significant to areas of distinction in the UW strategic plan (e.g., American Heritage Center, UW Art Museum)
- Provide excellence in practice sites for professional faculty
- Provide student services sufficient to ensure effective recruitment, enrollment, student success, course selection, counseling, advising, financial aid support, etc.
- Ensure faculty support services for instructional innovation and competency
- Provide appropriate oversight of graduate education and collaboration between research and education
- Maintain facilities and centers that provide research opportunities and promote research to the public
- Support clinical and diagnostic centers that support research and provide services to state agencies and state initiatives
- Maintain or develop partnerships in support of state initiatives and/or mandates
- Maintain centers that enhance instruction and provide tutoring and services for students
- Provide facilities that support the fine arts for instruction and public performances

Enhancements:

The University provides many services and programs that enhance the core of teaching and learning. These activities add value to the university but are not considered essential. The University Planning process is instructive in determining which programs are essential neither to the fundamentals of a 21st century education nor to UW's areas of distinction. For our purposes, enhancements are considered all activities which do not align directly with the mission of the institution or the delivery of the core. We believe that there are potential budget reductions across many enhancement areas (either by scope of the

program or depth of funding); below we have suggested broad Section 1 reductions for several of these areas, but specific reductions are best identified by those respective University units with detailed knowledge of line item budgets.

Section Four.

We provide these suggestions as examples of how we might preserve the essentials of our mission with an eye towards avoiding decisions that compromise the long-term integrity of the university. We are reminded that in the last 20 years UW has performed numerous self-examinations. Virtually every unit has been reviewed multiple times and deemed worthy of existence. We provide the suggestions below with some concern that any redistribution of Section 1 funds includes some flexibility for dean/director control in addition to central control. Any plan must be composed of multiple options and combinations (e.g., increasing tuition, implementation of a variety of cost-effective practices, targeted improvements in infrastructure) to enhance revenues, reduce expenditures, and leverage existing efforts/opportunities, so such suggestions will be evident in our recommendations. To the extent that these suggestions include Section 2-funded activities, it is with the expectation that increases to Section 2 funds would directly reduce dependence on the Section 1 budget.

We recognize that there are some efforts which deserve consideration and exploration but which may not result in short-term net budget improvements. In this category we include the following suggestions: examination of all internal operations to find efficiencies and cost savings, green initiatives (developing a sustainable institution to decrease utility and operational costs), examination of support operations to see how they can be run at maximum efficiency, placing a moratorium on all new degree programs, critical examination of start-up expenditures with consideration of caps that are discipline sensitive, consideration of entrepreneurial program tuition and its uses for institutional goals (e.g., Accelerated Nursing, Land Surveying), pruning of the curricula and review of degree requirements across graduate and undergraduate programs.

These suggestions have several foundational guidelines:

- Notwithstanding any mandated budget reductions, the University should remain a comprehensive university with recognizable programs of distinction.
- Overall, UP3 should guide decisions concerning core elements and programs of distinction, and these units should be protected so far as possible from Section 1 reductions.
- Shifting Section 1 budget load off of enhancement areas is a reasonable expectation under current circumstances.
- Reduction of Section 1 funds should leave vice presidents, deans, and directors, with maximum flexibility for deciding how to implement such reductions.
- Any budget-adjustment plan must be composed of multiple options and combinations to enhance revenues, reduce expenditures, and leverage existing efforts/opportunities.

Discussions across many constituent groups led us to the conclusion that it would be irresponsible to not include a plan for immediate and future increases to resident undergraduate tuition in response to this

budget planning exercise. While the Hathaway Endowment has allowed us to focus on other significant factors (beyond tuition) related to undergraduate recruitment, financial and academic support, and retention, the three-year moratorium on tuition increases has left us in a position of little elasticity for academic budgets when state revenues experience substantial declines. Our rationale for identifying undergraduate tuition increases as a critical element of this budget planning effort is multi-fold: a) net tuition revenue per FTE has decreased 25.2% at UW in the decade 1998 to 2008 according to SHEEO SHEF Early Release data while our neighboring states show increases for the same period ranging from 19.1% to 56.9%; b) there is some reality to the perception that “low tuition = low quality” in research extensive universities and we may have reached the point where we are now considered “cheap” instead of “inexpensive;” c) revenues from non-resident tuition contribute about three-fold to the academic budget and low resident tuition diminishes our capacity to provide some financial support to non-residents as a critical recruiting strategy; d) recent changes to undergraduate financial aid (e.g., increased Pell grants, additional student loan opportunities) from federal stimulus funds would mitigate a tuition increase for the students; and e) current resident tuition levels are so low as to offer little immediate relief for revenue generation, thus our suggestion that a multi-year increase be seriously considered. Lastly, while the policy implications are complex, we recommend that any such plan should be “Hathaway neutral”. Implementation should not create additional burden on the Hathaway Endowment or students’ access to higher education at the University of Wyoming. We provide the following table showing estimated annual revenues that would be generated by resident undergraduate tuition increases ranging from one to ten percent over the current level. These revenue projections are based upon FY 2009 Resident Undergraduate Tuition Revenue of \$13,086,909; reduced by \$785,215 for unpaid credit hours times 94% to equal final revenue of \$11,563,593.

Projected Revenue for Percentage Increases in Undergraduate Resident Tuition

1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
\$115,636	\$231,272	\$346,908	\$462,544	\$578,180	\$693,816	\$809,451	\$925,087	\$1,040,723	\$1,156,359

In addition to increasing resident undergraduate tuition, we agree that the current context for Section 1 funding should allow for the immediate implementation of fees such as course fees, laboratory fees, service fees, access fees, and library fines to off-set anticipated reductions to support budgets and to allow for the maintenance and enhancement of critical academic support needs (e.g., instrumentation, technological infrastructure, recurring materials costs) in particular programs or units. Such fees are recognized by students as relevant to their educational program and are not typically perceived as “disappearing” when captured via tuition. Such fees are common at similar land grant institutions. Course fees also provide deans with a budget management opportunity assuming they are not universally applied and assuming that the fees come back to the department/program/unit which levied them. The sciences, engineering, and fine arts were the areas discussed as the most likely candidates for course or lab fees but other areas may recommend fees to support technology or unique program needs. We provide the following table of estimated revenues from Deans and Directors responsible for courses which would be likely candidates for course fees. Please note that these data are broad estimates based

on course offerings and student data over the last academic year and on information collected during previous attempts to garner permission to implement course and laboratory fees.

Description	Fee	Student Impact	Estimated Annual New Revenue (recurring)
<i>College of Agriculture</i> Major labs and/or Field trips	\$35 to \$50 per student per lab	1663 students in 80 lab sections	\$80,435
<i>College of Arts & Sciences</i> Sciences and Studio courses	average \$40	136 courses in 18 departments	\$450,000
<i>Art Museum</i>	\$1 per student/year (Laramie campus only)	10,041 students (fall 2008)	\$10,041
<i>American Heritage Center</i>	\$1 per student/year (Laramie campus only)	10,041 students (fall 2008)	\$10,041
<i>College of Health Sciences</i> Select courses in Nursing, K&H, Pharmacy, Social Work	Currently \$0 to \$125 in select courses; differential increases to \$20 to \$300		\$65,270
<i>University Libraries</i>	Overdue fines	All students and faculty	\$25,000
<i>College of Engineering & Applied Science</i> Differential Tuition (Juniors & Seniors Only)	\$500 tuition differential per student per semester [if implemented, current technology fee of \$59 per student per semester would be waived]	610 Junior and Senior students	\$610,000
<i>International Programs</i> Study Abroad	\$25 per student for faculty led programs; \$250 per student for individual study abroad and exchange (currently \$100)	450 students	\$51,750
<i>College of Business</i> Technology Fee—Junior & Senior level	\$10 per credit hour in addition to a proposed requirement that students purchase a laptop by start of Junior year	49 JR sections (1225 students) 111 SR sections (2775 students)	\$120,000
TOTAL			\$1,422,537

Calculations of estimated net gains in the following two tables are based on these data (available from the *University of Wyoming Operating Budget 2008-09*):

- Total Section 1 Budget = ~\$240.18M. This includes some non-flexible federal funds. 5% of this total = ~\$12.01M.
- Total Section 1 state-appropriated funding = ~\$184M. 5% of this total = ~\$9.2M.
- Total Support Budget (B2000) = ~\$37.71M.
- Total Academic/Instruction Section 1 Budget = ~\$97.64M.

The suggestions in the following tables are coded to distinguish budget-reducing measures* (reduce actual expenditures in FY 2010 or 2011) from pressure-reducing measures** (alleviate perennial upward pressures on the instructional workforce). Measures which potentially offer both are presented without additional coding.

Expense Reductions

Suggestion	Recurring or 1-Time	Comments	Estimated Net Gain for Section 1
*Reduce support budgets	Recurring	Across UW -- 3% reduction [1% of UW Section 1 support budget = \$377K]	3x\$377K = \$1.13M
*Reduce Athletics dependence on Section 1 funds	Recurring	Reduce Section 1 funding (\$11.6M) by 10% of its UW Section 1 budget; replenish funds from Section 2 and/or reduce budget	\$1.16M
**Identify academic unit cost efficiencies (including those related to course delivery within and across colleges & academic support units)	Recurring	<p>Reduce Section 1 funding (\$98.5M) by 1% of its UW Section 1 budget across Academic Affairs units as determined by Deans and Directors; examples might include:</p> <ul style="list-style-type: none"> • Reduce start up packages for new faculty • Examine faculty and staff workloads • Combine and share some positions/services across divisions or university-wide units • Reduce mailings and printings; rely more on email and web distribution • Increase class size • Reduce faculty overloads • Require/enforce minimum enrollment • Review low enrollment programs • Reduce redundancy of offerings (e.g., one statistics class that would support various disciplines) • Reduce elective offerings • Examine requirements for all degrees & USP 	<p>\$.985M</p> <p>[AA units use ~41% of total UW Section 1 (\$240.18M) = ~\$98.5M]</p>
*Voluntary furloughs for part-time employees only	Recurring	1 week pay for 4 weeks of voluntary furlough; Tier it up to one month of pay if they take three months off. Paid as a one-time bonus at the start of the voluntary furlough.	unknown
*Modifications to UW	Recurring	• Reduce fee ratio for all development transactions	\$1.73M

Foundation policies		<ul style="list-style-type: none"> Centralize funding for CDO salaries/benefits through Foundation, while maintaining unit assignment and direct influence for targeted development. Support entirely with non-Section 1 funds 	
*Student Services	Recurring	Reduce Section 1 funding (\$10.5M) by 5% of its UW Section 1 budget; replenish funds from Section 2 and/or reduce budget	\$.53M
**Evaluate broad service commitments that are not central to mission	Recurring	Examples: Wyoming Technology Business Center, Economic Development Council, others	unknown
*Explore reductions to University-wide units not essential to academic core	Recurring	All support units should be considered. One example: Institutional Support—Division of Administration has current Section 1 funding of \$28M (excluding the Foundation with separate recommendations, above). Reduce budget by 5% of its UW Section 1 budget.	\$1.4M
TOTAL			\$6.935M+

Revenue Enhancements

<u>Suggestion</u>	<u>Recurring or 1-Time</u>	<u>Comments</u>	<u>Estimated Net Gain for Section 1</u>
*Tuition Increase	Recurring	(Also See Table Above) 5% increase for all Hathaway neutral impact	5x\$300K = \$1.5M
Laboratory, course, and other fees	Recurring	(See Table Above)	\$1.42M
*Tax on release time accounts	1-Time	Current university-wide: \$5M; 10% tax	\$5M
Central Staff Salary Management (CSM)	Recurring		\$.8M
**Implement multiple measures to increase indirect cost recovery	Recurring	<ul style="list-style-type: none"> • Negotiate increases to federal, state, and industry contract accounts • Significantly reduce IC waivers • Require IC component for internal grants (e.g., SER, EORI) 	unknown
*Increase all TransPark fees	Recurring	Support entirely with non-Section 1 funds [consider “reserved parking” at a premium price]	\$.35M
*Increase student health fees	Recurring	Currently, \$92/student per semester (more in the summer) generates approximately \$1.67M in revenue, not quite covering their cost of \$1.7M. Increase fees to \$150 per student per semester, generating over \$2.7M.	\$1M
*Increase students studying abroad through faculty led programs or official exchange partnerships	Recurring	Shifting it to: 60% through faculty led programs, 30% exchange – tuition revenues would rise to \$584,000 (approx), an increase of \$267,000.	\$.27M
**Examine non-revenue generating university land		Potential sale or development to become revenue-generating	unknown
TOTAL			\$5.84M+

The total (conservative) estimated net positive effect for the Section 1 budget is \$12.775M (approximately 7% of state-appropriated funds) from these suggestions. Many suggestions have unknown potential or long-term fiscal effect given the complexity of interactions among these measures and the timeline(s) for implementation.