



“Challenging times reveal the character and commitment of a university. Let me be clear, our commitment is to the educational enterprise. Faculty and students are UW’s two most important assets—they are at the core of our mission. We tested this commitment last spring when it became clear that budget reductions would be a reality.”

—Tom Buchanan, President of the University of Wyoming

## The University’s Funding and Response to State Funding Reduction

This chapter reviews the size, sources, and scope of the university budget using FY 2009 data. In addition, this chapter specifically addresses the impacts of a state-mandated 10 percent reduction in the university’s budget as a result of decreases in state revenue. We emphasize the planning process that the institution followed to guide the required budget reductions and explain the specific measures undertaken to address the mandate.

### OVERVIEW OF THE UNIVERSITY’S FUNDING SOURCES AND EXPENDITURES

This overview is organized by category and source of the university’s assets and expenditures. Figures 10.1 and 10.2 provide additional detail about the general operating budget (Section I budget) by source and expenditure category and by program.

#### Assets

The university’s assets for all of the university’s programming, operations, and building can be categorized by four sources: Section I, Section II, special appropriations, and capital construction.

*Section I* is the university’s general operating budget comprised of the following funding sources:

- Legislative appropriations from the state’s general fund. These represent the single largest asset category for the university, accounting for 76 percent of the Section I total.
- Federal formula funds for the College of Agriculture and Natural Resources, consisting of several congressional appropriations. The McIntire-Stennis

and Hatch appropriations are restricted to uses supporting agricultural research. The Smith-Lever Act appropriates funds restricted to agricultural extension programs.

- The University of Wyoming Income Fund, representing revenue from three sources: 1) tuition, the largest source by far in this category, 2) sale of agricultural products, and 3) income from intercollegiate athletic events. The use of these funds is unrestricted except that athletic income is utilized only for intercollegiate athletics.
- Other revenues, including federal mineral royalties, land-grant and agricultural land income, and sales and services funds. These funds have various restrictions on their uses. Federal mineral royalty revenue is from mineral production on federal lands in Wyoming. These restricted revenues are used for the payment of principal and interest on bonded debt, constructing and equipping new buildings, repair of existing buildings, and purchase of improved or unimproved real estate. The university currently uses a portion of this fund for maintenance, operation, and repair of the plant. Sales and service funds are derived from indirect costs recovery and interest income from the investment of funds held by the university. Other sources include library fines, parking fines, bad check charges, utility sales to fraternities and sororities, and the sale of livestock and agricultural products produced as a result of instructional activities. This fund is unrestricted and may be used for any university purpose.
- Unrestricted income from the University of Wyoming Foundation is also under Section I of the university budget.

It is common to refer to the legislature-funded portion of the Section I budget as the block grant, since the university has the authority to move money around within this account without seeking line-by-line approval from the legislature. Figure 10.1 provides additional detail about the breakdown of Section I revenue in dollars for FY 2009.

*Section II* is the university's self-sustaining budgets comprised of the following:

- Sponsored research grants and contracts, primarily from federal agencies but also from the state and corporations. This includes foundation funding supporting sponsored research and specific educational and service programs. Sponsored research generally involves work for hire.
- Revenue from auxiliary, self-sustaining enterprises, such as the auto repair shop, motor pool, university golf course, transportation services, residence halls and apartments, dining services, and other enterprises.
- Student fee revenue allocated for purposes explicitly defined by the Board of Trustees, including support of student organizations, intercollegiate athletics, etc.

*Special appropriations* represent the operating budgets for specific activities authorized by the legislature outside of the Section I and Section II budgets. Included in this category is the university administered portion of the Western Interstate Commission for Higher Education, Enhanced Oil Recovery Institute, and medical education. The university may

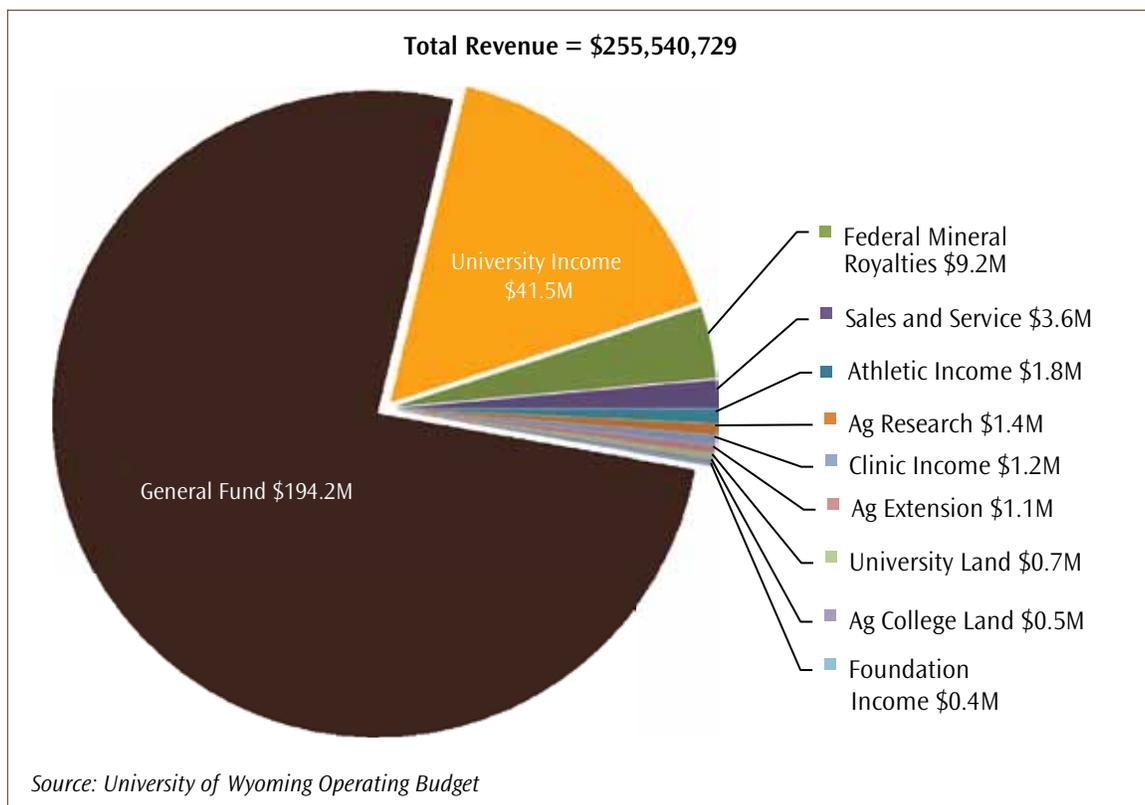


Figure 10.1. Section I Revenue by Source, Fiscal Year 2009

not transfer funds among these accounts or between these accounts and the Section I budget. In addition, these accounts have constraints that do not apply to the block grant, such as caps on the number of employees.

*Capital construction budgets* fund direct construction, architectural and engineering fees, equipment and furnishings, contingencies, and associated costs. Funds for financing such projects may come from state general funds, bonds issued against predictable sources of revenue—such as student use fees and federal mineral royalties—gifts and state matching funds, or a combination of these sources.

## Expenditures

University expenditures from any of the asset categories previously listed support a set of functional categories, as defined by the National Association of College and University Business Officers (NACUBO). There are nine functional categories in the university's budget: 1) instruction, 2) research, 3) public service, 4) academic support, 5) student services, 6) institutional support, 7) operation and maintenance of the plant, 8) scholarships and fellowships, and 9) intercollegiate athletics.

Instruction accounted for nearly 43 percent of the total expenditures in Section I spending, comprising the largest category of expenditure. The next largest category is academic support (12 percent) followed by institutional support (11 percent) and maintenance

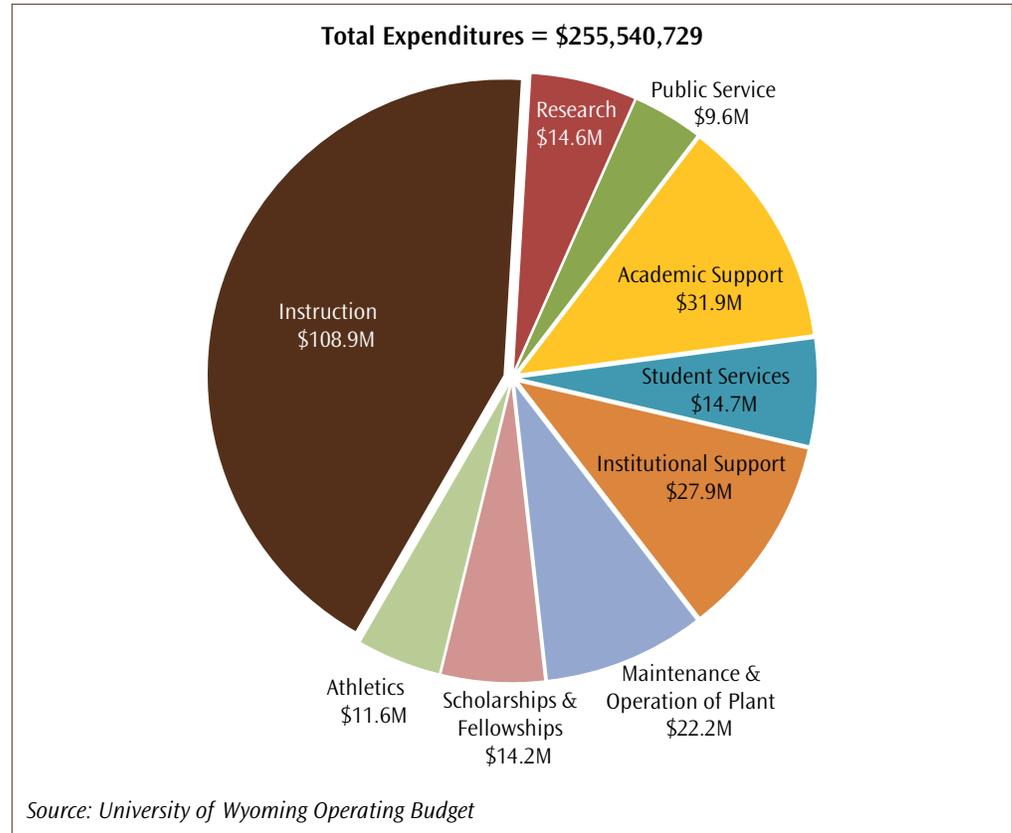


Figure 10.2. Section I Expenditures by NACUBO Functional Category, Fiscal Year 2009

operation of the plant (9 percent). Figure 10.2 provides additional information on expenditures in dollars by category for FY 2009.

## OVERVIEW OF BUDGET REDUCTION IMPACTS

### (Core Component 2b)

In June 2009, Governor 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 effect of the national recession on prices of energy commodities, especially natural gas.

For the University of Wyoming, the reduction amounted to a 10 percent cut in legislature-appropriated funding—\$18.3 million per year from the university's main operating budget, the block grant. This amount is slightly more than 7 percent of the university's total Section I budget, which also 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. This mandate left intact the university'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. (2b)

The state-mandated budget cuts per se had no effect on distributions from the endowment managed by the University of Wyoming Foundation, which reached \$16.3 million in FY 2008. However, sharp declines in investment markets have reduced those budgets as well. In 2009, the 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 fluctuations. (2b)

## THE UNIVERSITY'S BUDGET PLANNING PROCESS

(Core Components 1d, 1e, 2a)

Anticipating these recession-driven effects, President Buchanan asked Provost Allen in January 2009 to oversee a budget planning process. 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. (1d, 1e) In response, Provost Allen called on 11 constituency groups to develop white papers that identified the following: 1) three tiers of university activities—programs in the core mission, programs required to sustain the core mission, and enhancements to the core; 2) elements of university operations, institution-wide, that belong to these three tiers; 3) elements of the constituency group's bailiwick that belong to the three tiers; and 4) specific ideas for budget reductions that may not neatly fall into this three-tier framework. (1e, 2a) Table 10.1 lists the constituency groups.

Table 10.1. Constituency Groups for University Budget Planning Process

Constituency Group	Leader
Associated Students of the University of Wyoming	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
Division of Research & 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

Source: Academic Affairs

## Guiding principles

### (Core Components 1d, 1e)

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 university community were invited) on April 1, 2009. (1d, 1e) The key principles are summarized here.

### *Planning as priority setting*

#### (Core Component 2d)

Any measures undertaken to manage a reduction in the university's legislature-funded budget must mesh with the institution's strategic plans. Planning is the vehicle for establishing and pursuing priorities, not simply for directing new resources. Hence, the university's plans should guide 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 the university plans. (2d)

### *Centrality of academics*

#### (Core Component 2b)

As an academic institution, the university has a responsibility to manage budgets in a fashion that verifiably advance its academic strength. As it has in more promising economic eras, the university will continue to make prudent decisions about the appropriate distribution of resources among its academic programs and will continue to follow its prescribed processes for adding and eliminating them. It is academic planning and not budget reductions that should drive these decisions. (2b)

### *Job quality*

#### (Core Component 2b)

The university 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 the university's salaries and those that prevail nationally. The university 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. (2b)

***Tuition policy*****(Core Component 2b)**

A coherent tuition policy is a necessary part of any rational university budget planning. From 1986 to 2006, the university's resident undergraduate tuition increased at an average rate of 8 percent per year. Since then, the tuition rate has remained constant. This more recent policy enjoys some rationale in times of rapidly increasing fiscal support from the state. However, if the university must manage state-mandated budget reductions, a judicious, multi-year plan for tuition increases must be part of the discussion. (2b)

***Cost-effective practices*****(Core Component 2b)**

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 university 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 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 do not yield easily quantified cost savings. (2b)

***Infrastructure*****(Core Component 2b)**

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. (2b)

**Finalizing the budget reduction plan****(Core Components 1d, 1e, 2b)**

In response to the final white papers, on May 1, 2009, Provost Allen delivered a report to President Buchanan with structural recommendations for reducing the university's budget. The Office of Academic Affairs distributed this report electronically to the university community. The provost's report analyzed the elements of the operating budget according to functional categories defined by NACUBO. The report identified instruction, research, and public service as core functional 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 Provost Allen's most important recommendations in the report 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 May 7 – 8, 2009, and again at the Trustees' retreat on May 29 – 30, 2009, university administrators met with the board to discuss elements of a budget reduction plan. At their business meeting on May 30, the Trustees approved the budget reduction plan proposed by President Buchanan, subject to yet-to-be-received information from the state on the required magnitude of the reduction.

On June 4, 2009, Governor Freudenthal issued specific directives to state agencies to reduce their budgets. On that same day, President Buchanan distributed a memorandum to the university community detailing the university's plans for meeting the mandate. The next section is a summary of those plans. (1d, 1e, 2b)

## BUDGET REDUCTION MEASURES

The university's budget reduction strategy consists of three elements:

- Reductions in budgeted expenditures, beginning in FY 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 per year. Because personnel costs—salaries and benefits—account for 77 percent of the Section I operating budget, it was unrealistic to implement these reductions fully at the start of FY 2010. Instead, the target reduction for FY 2010 is \$10.7 million per year, with full implementation of the \$18.3 million per year reduction slated for FY 2012. Table 10.2 summarizes the budget reduction measures and accompanying targets for FY 2010.

### Buffer fund

For many of the measures listed above, it was not feasible to accrue the savings listed immediately at the start of FY 2010. In some cases, implementation will occur throughout FY 2010, 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

Table 10.2. Budget Reduction Measures

Fiscal Year 2010	
Measure	Amount
Central salary management for staff <sup>1</sup> .....	\$0.5M
Restricting starting salaries to 15 percent into range defined for each pay grade	
Staff hiring squeeze <sup>1</sup> .....	\$1.7M
Elimination of selected positions through attrition	
Elimination of Section I overtime budgets	
Libraries acquisition budget reduction.....	\$2.0M
Following \$4.3M increase in FY 2006	
Tuition increases <sup>1</sup>	
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 <sup>1</sup> .....	\$2.6M
Following \$1.5M/year increase in FY 2008	
Additional reductions of \$1.7M/year in FY 2011	
Reduction in Intercollegiate Athletics <sup>1</sup> .....	\$0.6M
First year's installment of a 10 percent reduction (\$1.1M) from FY 2011 onward	
Reductions in specific units.....	\$1.8M
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 I 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)	
UW Visitors Center (reduction in force)	
Weeks of Welcome (elimination of program)	
Wildfire Dance Team (elimination of program)	
President's Office (reduction in force)	
Foundation funding for development.....	\$1.2M
Elimination of fundraising positions in academic units	
Creation of foundation-funded positions in Institutional Advancement	
Elimination of Section I funding for foundation operations	
Faculty hiring squeeze <sup>1</sup> .....	\$0.3M
Tax on captured pool of vacated faculty salaries	
Decrease in tax by a factor of 2 in FY 2011 and again in FY 2012	
<b>TOTAL</b>	<b>\$10.7M</b>

Source: Academic Affairs

<sup>1</sup>Not implemented immediately on July 1, 2009

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

Table 10.3. Buffer Fund Source

Fiscal Year 2010	
Source	Amount
Delay in library acquisitions increase	\$2.3M
Budget reserves in nonacademic divisions	\$0.3M
Redirected endowment matching funds	\$5.0M
<b>TOTAL</b>	<b>\$7.6M</b>

Source: Academic Affairs

budget reductions slated for subsequent fiscal years, the savings required to meet the budget reductions will not be available until FY 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 per year difference between the \$10.7 million per year in reductions effected in FY 2010 and the \$18.3 million per year target. Table 10.3 lists sources of this buffer fund for FY 2010.

## Pressure reduction measures and program efficiencies

### (Core Components 1d, 1e)

Recognizing the difficulties that budget reductions will impose on the university'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 utility bills
- Class size management and reductions in low-enrollment sections
- Reductions in number of sections offered
- Elimination of the athletic training concentration in the Department of Kinesiology & Health
- Direct deposit of all paychecks
- Management of work-study funds in the Department of Human Resources
- Increases in parking and transportation fees
- Redirection of student fees from the Wellness Center to disability services
- Elimination of x-ray services at the Student Health Service

After announcing these measures, President Buchanan directed staff members in his office to analyze the correspondence between the recommendations contained in the 11 white papers and the budget reduction measures actually implemented. The analysis revealed that 92 percent of the dollar-weighted reduction measures appeared as recommendations in at least one white paper. (1d, 1e)

This statistic comes with two important caveats. First, not every member of the university community feels that any of the white papers reflects his or her views. Each constituency group's white paper reflects a consensus among the people who wrote it, informed by the people who participated in a process that was time-constrained by Governor Freudenthal's mandate. Second, some people who advanced specific recommendations in the white papers may have found the impact of the resulting budget reductions surprising. Few white papers included precise estimates of the magnitudes of various budget reduction measures. In some cases, the full implications of some specific measures, such as the job eliminations that result from the elimination of an administrative office, may not have been clear in advance to everyone who advocated them. These two observations help explain the surprise and dismay that some employees experienced upon learning of the budget reduction plan, despite having had opportunities to influence that plan.

## RESPONSE TO THE BUDGET REDUCTION PROCESS AND IMPACTS

### (Core Components 2b, 3d)

The process described above 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, but in some instances they caused tension and controversy. The discussion below outlines some aspects of the budget reductions that provoked discussion within the university community after the budget cuts were announced.

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. Therefore, existing construction projects remain intact. The university capital construction requests to the state legislature, the institution's leadership role in the governor's statewide distance education and telecommunications taskforce, and the institution's engagement in long-range development planning reflect a commitment to emerge from the recession positioned as strongly as possible for the infrastructural needs of the future. (2b)

The budget reductions left intact the budgets for major university initiatives, including the School of Energy Resources, the NCAR Supercomputer Center, and the GE Energy-University of Wyoming High Plains Gasification Advanced Technology Center. The

reductions left in place all proposals for new degree programs listed for consideration in UP 3. The reductions did not impact the increases in faculty workforce implemented since 2006. (2b)

All academic majors at the baccalaureate and graduate level remain intact. 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 University Assessment Coordinators Committee. (3d)

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*“In spite of the university’s efforts to preserve the centrality of the academic mission, the impacts of budget reductions on academics are hardly insignificant.”*

In spite of the university’s efforts to preserve the centrality of the academic mission, the impacts of budget reductions on academics are hardly insignificant. Controversy has arisen in connection with the reductions in several units and programs that were not directly responsible for credit bearing instruction, including the Geological Museum, college-level fundraising, the university libraries, the Wyoming Survey & Analysis Center, and the Center for Conferences and Continuing Education. This controversy was compounded, in the view of some, because the university administered salary raises averaging four percent (and totaling \$6.7 million per year in salaries and benefits) for FY 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 distributing raises and for considering possible new benefits upon learning that the budget reduction measures entailed a reduction in force of 45 employees.

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 with experience at other universities have observed that the University of Wyoming 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 beneficiaries of successful, high-priority budget requests to the legislature, based on the argument that these budgets are important to sustain high-caliber academics. Yet budget reduction undid many of these gains. President Buchanan has made it clear that these budgets will be the top priority 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 the university’s central position management process can help minimize these losses. It can even offset the losses by creating new positions if the university can control the need for expensive, senior-level faculty hires by more effectively cultivating faculty leaders from within the university.

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## CONCLUSION AND KEY FINDINGS

The University of Wyoming was faced with difficult fiscal challenges in 2009 due to the current recession. Until this year, Wyoming had largely escaped many of the problems that other states had already been facing given decreases in state revenues. Nonetheless, the 10 percent reduction in state funding was significant to the university and its operations. The university believes it responded appropriately to the reduction mandate and in looking back at the decisions made as part of the process recognizes the following:

- **The university remained true to its established planning processes.** The priorities established in UP 3 were central to all debate. Because of this, participants in the discussions about budget reductions examined a multitude of possibilities and assessed these possibilities critically in light of these well known, agreed upon institutional priorities.
  - **The process employed to address budget reductions was participatory and transparent.** While not everyone agreed with the outcomes or foresaw all of the implications of their suggestions, the decision-making process and the outcomes of the process were well documented and distributed to the university community, despite the relatively short time period during which the decisions had to be made.
  - **The university adhered to its mission.** The cuts approved by the Board of Trustees preserved, to the greatest extent possible, the budgets dedicated to instruction, research, and public service—the three functional categories most central to the learning enterprise.
-