



Statement of President Laurie Nichols

Determination of Financial Crisis

June 16, 2016

To comply with UW Regulation 6-41, paragraph IV.C, this serves as my written statement to the University community explaining why a financial crisis has been determined to exist.

As I explained during the recent town hall meetings, UW will pursue several strategies to reduce spending in FY 2017 as a result of the significant reduction in state funding. These include eliminating existing position vacancies and providing incentives for employees to retire or terminate their University employment so as to increase the number of vacancies available for elimination. These vacancies will result from decisions made by individual employees who are eligible for incentives or simply decide to leave University employment. In many cases, the work that would have been performed by the employee in the vacancy will still be necessary to University operations. There will be some savings from this approach that will extend into future budget years, but these alone will not achieve a permanent solution.

Moreover, the \$26.2 million in reductions required for FY 2017 will be funded by the substantial use of reserve funds. UW's reserves will likely be reduced to less than 5 percent of its operating budget, far less than what is prudent for University operations. UW cannot rely on reserves to continue to fund operations in FY 2018; permanent reductions must be in place.

University programs (academic and non-academic) must be evaluated for reduction or elimination if the University is to be able to construct an FY 2018 budget in light of the reduced revenues from the State of Wyoming, possibly reduced tuition revenue, the need to fund utility costs, the implementation of a new fiscal system, and the need to ensure the University's Information Technology operation meets the needs of the campus. As such, immediate steps must be taken to identify those programs so that plans for implementing changes can be developed during FY 2017 in anticipation of implementation in FY 2018.

It is my intention that all University programs will be subject to review. Approximately 60 percent of the University's Section I budget is devoted to academic programs. The 2010 and 2014 budget reductions, with the exception of a significant reduction to the University libraries collections budget, focused heavily on non-academic units. It is essential that academic programs not be exempt from review. The only way that academic programs can be subject to review because of a deficiency in revenue and so that changes can be implemented in FY 2018 is to utilize the process specified in University Regulation 6-41.

The following definitions from the regulation are necessary to my explanation.

UW Regulation 6-41, paragraph II.B defines a financial crisis as follows:

"Financial Crisis" means an imminent and substantial deficiency in available University financial resources which warrants reduction or elimination of University programs. The deficiency in available financial resources may result from reduced legislative appropriation, reduced state revenues which make appropriated funds unavailable, reduced income from other sources including University grants, gifts, and tuition and fees, or from unforeseen financial demands.

UW Regulation 6-41, paragraph II.F defines a program as follows:

"Program" means a unit of the University which provides an organized and identifiable service or function, which may have an allocated budget, and which can be identified as a separate entity for planning purposes.

I have issued a description of the financial deficiency that the University of Wyoming faces, dated June 16, 2016. I am declaring a financial crisis because:

1. Both the 2016 state appropriations bill, and the Governor's May 11, 2016, announcement constitute a substantial reduction in state appropriations to the State Aid portion of the University's 067 budget, often referred to as the "block grant."
2. In its biennial budget request as part of the process that resulted in the 2016 state appropriations bill, the University requested funding for recruitment and retention of key faculty and staff, for critical items for Information Technology, for operations and maintenance, and for an essential fiscal system. The requests were denied in whole or in part due in large measure to reduced state revenues that make appropriated fund unavailable. The April 22, 2016 letter from the state's Consensus Revenue Estimating Group (CREG) suggests that reduced state revenues will continue and thus the availability of appropriated funds will continue to be impaired.
3. Projected declines in student enrollment are of modest concern in that such could lead to reduction in available revenues from tuition and fees.