an update on the budget and declaring financial crisis

President Laurie Nichols

June 22, 2016
# budget reduction
and essential reallocation

<table>
<thead>
<tr>
<th>Budget</th>
<th>Biennium</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recurring Reduction</strong></td>
<td></td>
<td></td>
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<tr>
<td>Penny plan (1 ½%)</td>
<td>$5.8 million</td>
<td>$2.9 million</td>
</tr>
<tr>
<td>8%</td>
<td>32.4</td>
<td>16.2</td>
</tr>
<tr>
<td>Utility shortfall</td>
<td>6.0</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total recurring</strong></td>
<td>$44.2 million</td>
<td>$22.1 million</td>
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<tr>
<td><strong>One-time reallocation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal system (legislature)</td>
<td>5.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Fiscal system (university)</td>
<td>13.0</td>
<td>6.5</td>
</tr>
<tr>
<td><strong>Total fiscal system</strong></td>
<td>$18.0 million¹</td>
<td>$9.0 million</td>
</tr>
</tbody>
</table>

¹$23M including appropriation from legislature
permanent cuts

- FY17: $19M (immediate)
- FY18: $10M (intermediate)
- FY19: (long-term)
timeline
one-time reallocation

FY17
$6.5M
immediate

FY18
$6.5M
intermediate

FY19
long-term
fiscal year ‘17 reduction
plan approved - recurring

1 recurring appropriations
   included $6.2m in new recurring appropriations for specific purposes

2 tuition increase
   a 4% increase will yield $2m; $1.5m to utilities and $500k to faculty compensation for tenure and promotion

3 block grant reductions
   included $2.9 million reduction for penny plan and $16.2 million reduction for additional 8% cut
<table>
<thead>
<tr>
<th>4</th>
<th>fiscal system funding</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>identified $8.5m internal reallocation for fiscal system, primarily from cash reserves</td>
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<table>
<thead>
<tr>
<th>5</th>
<th>utility funding</th>
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<tbody>
<tr>
<td></td>
<td>identified $4.8m internal reallocation to cover utility shortfall (including prior year’s deficit)</td>
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<table>
<thead>
<tr>
<th>6</th>
<th>one-time appropriations</th>
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<tr>
<td></td>
<td>included $18.5m in new one-time appropriations for specific purposes, including the new fiscal system</td>
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</table>
block grant fy’17
reduction details

$2.9m  “penny plan”
across the board
excluded benefits & utilities

$16.2m  eliminating 70 vacancies
realizing efficiencies – teaching workload; benefits
retirement incentive
detailing the $16.2m reduction

- eliminate 70 vacancies, $5.2m
- across the board cuts, $4.0m
- retirement incentive program, $3.0m*
- reduce temporary academic hires, $2.5m
- reduce benefits: .50-.99 FTE, $1.5m

*to save an additional $6m in FY18
fy17 one-time reductions
fiscal system

- Cash Reserves: $4.5 million
  - $500,000 President’s Office
  - $500,000 Residential Life & Dining
  - $500,000 Information Technology
  - $500,000 Audit Reserve
  - $1,250,000 Outreach School
  - $1,250,000 Colleges Outreach

- FY16 Carryover: $1-2 million
fiscal year ‘18
intermediate: cost savings

- university program review
- review organization and structure
- review administrative appointments
- analyze positions/9 month
fiscal year ‘18
intermediate: new revenue

- fully utilize UW foundation funds
- increase tuition
- program fees for high-cost programs
- grow enrollment
declaring a financial crisis

- Trustees discussed in Executive Session June 15
- message to campus sent June 16
- propose to follow UW Reg 6-41
declaring a financial crisis

UW Reg 6-41

- explain why financial crisis exists
- explain anticipated financial deficiency for FY17, 18, & 19
- call a university-wide meeting
- convene Financial Crisis Advisory Committee
determination of a financial crisis

- reductions in FY17 of $2.9m + $16.2m from block grant
- utility shortfall of $3 million per year
- new fiscal/accounting system in excess of $28 million
- pending FY18 budget reduction of at least $10 million
- pending program review process
description of financial deficiency

- FY16 block grant reduced by $11.7m
- FY17 penny plan reduction + 8% additional cut
- CREG April 22 letter suggests reduced state revenue will continue
- 70% of Section I funds from state appropriations; 23% tuition
- Fall student enrollment down slightly
why financial crisis

- provides flexibility and expedited timeline from UW Reg 6-43 for program review/elimination
- provides flexibility in reviewing organizational structure
- creates FCAC to consult in creating a financial crisis plan (FY18 reductions)
- is not financial exigency
### financial crisis
### advisory committee

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
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<tbody>
<tr>
<td>Provost</td>
<td>David Jones/Kate Miller</td>
</tr>
<tr>
<td>VP Administration</td>
<td>Bill Mai</td>
</tr>
<tr>
<td>Dean</td>
<td>Klint Alexander</td>
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<tr>
<td>Dean</td>
<td>Susan Frye</td>
</tr>
<tr>
<td>Faculty Senate</td>
<td>Robert Sprague</td>
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<tr>
<td>Faculty Senate</td>
<td>Donal O'Toole</td>
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<tr>
<td>Faculty Senate</td>
<td>Stephen Bieber</td>
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<tr>
<td>Faculty Senate</td>
<td>Molly Marcusse</td>
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<tr>
<td>Faculty Senate</td>
<td>Frederic Sterbenz</td>
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<tr>
<td>Faculty Senate</td>
<td>R. McGregor Cawley</td>
</tr>
<tr>
<td>Staff Senate</td>
<td>Kevin Colman</td>
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<tr>
<td>Staff Senate</td>
<td>Rachel Stevens</td>
</tr>
<tr>
<td>ASUW</td>
<td>Joel Defebaugh</td>
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proposed timeline

June 16
declaration of financial crisis

June 22
general University meeting

June 28
First meeting of the FCAC
Proposed timeline, cont.

July/Aug
President develops financial crisis plan in consultation with FCAC

Sept 7
President submits financial plan to FCAC for review

Sept 8-29
FCAC vets plan, solicits and assembles comments for the President
proposed timeline, cont.

Oct 6
FCAC submits comments to president

Oct 11
President submits plan to Board of Trustees, considering FCAC input

Oct 19
Board of Trustees meeting, Board action on financial crisis plan
questions
and discussion