

**Budget & Planning Committee
Minutes
May 30, 2018**

Present: Cody Stoddard, Kathy Whitcomb, Paul Knepper, Stephen Stein, George Drake, Ken Smith, Michael Young, Lad Holden, Kathy Temple, Duane Dowd, Jim Johnson

Absent: Sathy Rajendran, Aimée Quinn, Ian Loverro

Guest(s): James Gaudino and Amy Claridge

Meeting called to order at 10:02 a.m.

The committee had six major questions:

1. Growth: ABB, as a model, is designed to incentivize growth. Where do you see this growth coming from? What are the targets for student numbers, both overall and on the Ellensburg campus? How do we support the students we expect to have? What effect will/might waivers have on this growth strategy?
2. Substantive differences: What do you view as the substantive differences between this model and incremental budgeting? (So far, it seems that actual allocations are not very far from incremental allocations.)
3. Assessment: How do we know whether the budget model is working – how will it be assessed? Is there a written evaluation plan?
4. ASL budgets: At the spring budget town hall, you made a distinction between ASL and non-ASL parts of the budget. We currently have a budget governance structure that looks at the university budget as a whole. What is your vision for the ASL budgeting process? How should it work? What are the roles of faculty and shared governance in that process?
5. Management model: One comment that came up repeatedly in the BPC survey of chairs and senators was that faculty and chairs have perceived a movement both of funds and decision-making authority up the chain of command. How do you view the relationship between departments/units and deans, both in terms of budget and in terms of decision-making authority?

Content of the discussion with President Gaudino

RCM vs incremental budgeting – President Gaudino agreed it seems we are doing incremental budgeting. This seems to be the failure of the management system and not the model. Nobody wanted to implement the ABB in a draconian way and the budget has been heavily subvented. The Board of Trustees know this. This is part of the reason the comments received about the fact that ABB is destroying the academy are not being acted on. The ABB model hasn't been fully implemented in any substantive way.

Costs are projected to grow annually by 3%, and most of that is personnel driven. Revenue statues define increments in tuition on a 16-year rolling year rolling average. This makes growth very predictable of approximately 2% if enrollment is static. This is the main reason the university needs to incentivize growth and efficiencies.

Substantive differences between ABB and incremental budgeting? President Gaudino indicated that some of this is by design, given the failure of the two shadow years to come up with a model. There was a crude ABB 70-30 model and no other factors. By subventing certain

colleges, it allowed the new model to not shock the system. This has filled in the gaps that a more sophisticated allocation model would have taken care of. Deans subvented and made it feel a lot like incremental budgeting. However, we are learning things by this crude implementation. We have evidence that the 70-30 model does not work. Biology has a different cost model than a lecture-based program. Need to sensitize the model to these differences. The decisions made at the administrative levels have masked the department level. The Deans didn't want the data laid out in raw form. This makes the appearance that we haven't implemented the model. The other mistake that we made within ASL was asking the colleges to strive for a 2% cost efficiency target. This made it seem to everyone that it was a 2% budget cut. Looks like the Deans made 2% efficiency targets to moving costs into 148 ledgers. Overall spending is about the same as previous years, there was just less spending in ledger 1 and more spending in ledger 2. Ledger 2 funds are not evenly distributed because some departments do more summer work than others. The Deans made decisions to move these funds to the Dean level and have been allocated to departments that needed it. The efficiency targets acted as an incentive to sweep the 148's. Summer school model has always been an ABB model. It appears we made summer school like the other three quarters instead of the other way around. The BOT will approve the budget in July 1 and will be late August before posted. The budget will be the ABB budget given current allocation model. The college budgets will be put in as well as the Provost decisions on subvention as debit and credits into that model, showing what revenue you should have received and what was actually received. It will include monies the departments derived including 148 (which will be a projection) and will show the Deans decisions to move money within the college. The budget will be crazy transparent and will be complicated. Will have to look across departments within college to see where things have moved. All the information will be pushed out in CatPlan. Any changes in subvention plans will all get pushed out monthly.

President Gaudino indicated he doesn't see the state changing the funding for higher education soon. We need to structure our internal budget to help with the deficiencies from the state.

BEC should be looking at the model in addition to incremental budgeting. They should be focusing on efficiencies in non-ASL divisions. There should be benchmarking of these divisions. Good benchmarks need to look at specifics. Lawn mowing at certain universities is non-existent because they don't mow versus here which looks like it is off the charts. Our current process is based on UNK. Student life there wasn't part of academic life. Budgetary model in theory gives ASL 100% of the revenue and bills them for costs.

Pure academic, near academic units and student life have their differences of ideas and how to spend the money. Retention rate is our big leak. Retention is now 71% and may be 69% next year. Five years ago, we were at 78%. All research indicates that retention has to do with student life vs academics.

The BEC role should be to help the President and Trustees to fine tune the budget model.

The committee indicated that the overall message to the colleges has been to live within your budget and make it work. Outside of the academic colleges they have a budget and if they need more they make a request for additional funding.

Incremental budget is allocation focused. There is a pot derived magically and allocated on needs, politics, etc. Incremental, by definition, is always positive. 2% increase in across the board allocations from state. Goal is to efficiently and effectively allocate that money. All divisions think they are important. No one wants a freeze or a reduction, they want their

incremental budget and increases. This type of budgeting is bad for departments that are growing and good for those that are shrinking. The state had disaggregated the student FTE from the budget process. The 2% is based on the budget last year not the growth of the institution. The university is going to have to earn our way out of this. Deans and faculty have not been involved with the Enrollment management plan. CWU is three universities. 90% is focused on Ellensburg. However, we have centers and online students. Ellensburg campus could successfully handle approximately 12000 students. We have physical room for 14000, but this would change when courses are offered (earlier in the morning and later at night). We have about 10,500 currently. If we increase freshman class by a couple of hundred, increase retention rates and graduation rates the university can meet the budget shortfall. The enrollment management plan has been marketing driven. This will plateau because the funds are not increasing with the number of students. President Gaudino asked do we grow our centers and online programs. If we keep our online and centers static the cost/revenue line crosses in approximately 4 years. If we can find a way to increase our online and center offerings, those lines could be pushed out. Market share is going up, but student profile is staying the same.

Meeting was adjourned at 11:51 a.m.