



## UNIVERSITY of WASHINGTON

*Ana Mari Cauce*  
*Professor of Psychology*  
PRESIDENT

May 29, 2020

David Schumacher  
Director  
Office of Financial Management

Dear David:

I write in response to your May 13, 2020 memo requesting that agencies model a 15 percent reduction to Near General Fund State (NGF-S) appropriations in FY21 and take immediate actions to capture operating budget savings. Let me be clear:

- A 15 percent reduction to the University's FY21 state appropriations would have devastating effects on our ability to provide an excellent education to our students given that state appropriations are a large portion of our Core Operating Budget, which supports instruction, research and public service.
- The state's appropriations to the University as a proportion of state funding and tuition revenue have not recovered since the height of the Great Recession, so there is much less room now to cut state funding without severely increasing the cost to our students and their families or causing permanent damage to the quality of our state's flagship university.
- The University does not have the tuition price or enrollment flexibility to increase revenue that it did during the Great Recession. In addition to state limits on resident undergraduate tuition, many of our non-resident and graduate and professional rates are at or above market prices and face other cost pressures, and significant enrollment increases are not feasible due to space, funding, and competition for students. Further, we cannot make assumptions about our ability to retain continuing and incoming students, given that this pandemic may disrupt traditional cycles of enrollment generally.

The actions that the University has already taken in advance of state mandates include:

- Immediate freeze on all non-essential hiring and direction to leave vacant positions unfilled
- Direction for units to prepare for and model reductions to GOF budgets (which include state appropriations)
- Working with federal and state partners to secure emergency funding for COVID-related revenue losses and extraordinary expenditures.

## Reduction Exercise Response

Importantly, we will continue to engage faculty and administrative leadership across all campuses and UW Medicine in a collaborative and transparent process once the effects of state budget constraints are actualized. Responding to this exercise will not be substitutional for a collaborative process honoring our commitment to shared governance.

According to the memo from OFM, the University of Washington's NGF-S appropriations for FY21 total \$374,741,000, and a 15% reduction would amount to \$56,211,000. This amount includes nearly \$7 million in one-time appropriations in FY21 to provide one-time payments to certain represented employees at the University. We do not believe it is appropriate that one-time amounts allocated in FY21 would be included in this exercise because they will be removed at the Carry-Forward Level into FY22, and inclusion in our "base" would result in additional cuts to other activities. While there are other one-time amounts, we only removed one-time compensation dollars, resulting in a base of \$367,698,000 and a 15% reduction target of \$55,155,000.

The first reductions we identified in the attached OFM spreadsheet include incremental funding decisions made by the state in recent years. We assume that incremental amounts for FY21 non-represented employee salary increases would be removed, and that the state would implement a 15 percent reduction to recent targeted state provisos from GF-S and Education Legacy Trust Account (ELTA) appropriations. Completing this exercise without impacting state-supported activities would result in disproportionate cuts to other core academic and academic support functions. The following is a summary of these reductions:

- **FY21 incremental funding for non-represented general wage increases** (savings: \$4.35 million).
- **FY21 OFM One Washington central service increments** (savings: \$1.35 million): This represents the largest increase in central service costs since OFM central services were instituted in the 2015-17 biennium. Assumptions on tuition revenue for FY21 also exceed \$2.5 million, slated to increase significantly into the 2021-23 biennium. Given the disproportionate impact of this decision on the University, and the significant assumptions on incremental tuition revenue, this activity and funding model must be reconstituted.
- **Proviso budgets on GF-S and ELTA reduced commensurate to the across the board cuts to general funding** (savings: \$6.51 million):
  - Due to recent state investments in academic program capacity, research, and support for safety net hospitals and clinics, the areas most impacted by this cut would be those that are hardest hit by COVID-19 revenue losses, including the UW Schools of Medicine and Dentistry.
  - In addition, other areas critical to workforce development and economic recovery from the COVID-19 pandemic would be affected, including enrollment capacity in computer science and engineering programs across our campuses.

Second, the University provides significant financial aid support to our students above and beyond what is required by the state. It is unrealistic to approach a cut exercise without revisiting areas where we are forgoing revenue, including waiving amounts owed or using tuition revenue to offset the cost for our lowest income students. Therefore, we have included a 10% reduction to

institutional financial aid (savings: \$2.19 million), which would result in a commensurate increase to tuition revenue to offset funding reductions. We are proud of the robust financial aid provided to our students, which we prioritize to a greater extent than many of our state peers. This investment is good for our students, many of whom are first in their families to go to college, as well as our state's workforce. Nevertheless, these investments would be jeopardized by state cuts of this magnitude.

Unfortunately, the scale of a 15 percent reduction is far too large to implement without significant and across-the-board cuts to administrative, academic support, and academic unit budgets. After all of the reductions above are implemented, over \$40 million would still need to be cut from these activities. The following is a summary of likely reductions in this scenario, based on responses from our units during our recent budget development cycle, **regarding only a 5% reduction to their GOF budgets:**

Across academic units:

- Because tenure and tenure-track faculty positions and compensation are protected absent highly extraordinary circumstances, these reductions would disproportionately impact professional staff and short-term instructional faculty positions.
- Programs would be damaged due to layoffs and not filling vacancies.
- The amount of student financial assistance for employment would be reduced.
- Teaching assistant and research assistant positions would be reduced, resulting in fewer opportunities for graduate students and less instructional support across the board.
- The number of courses would be reduced, smaller group sections would be consolidated, and elective course offerings would be eliminated.
- Increases in class size would be implemented, resulting in larger student/faculty ratios.
- For units unable to redeploy planned investments or reduce existing commitments, program closures with substantial layoffs are likely. Ability to cover commitments such as debt service and support for public service and community engagement would be severely compromised, if not stop altogether.

Across academic support and administrative units:

- Staff positions would be reduced, including academic counselors, student services positions, auditors, custodial, grounds, skilled trades, and administration.
- Student services would be reduced, including counseling, student conduct, career center, student activities, etc.
- Student recruitment, including in underserved communities, could be reduced.
- Cuts to centralized services for information technology would disrupt teaching, research, and data infrastructure.
- Campuses would experience longer response times for service calls relating to heating, cooling, plumbing, and other needs. Buildings could be cleaned less often at a time when campus cleaning and maintenance is more important than ever.
- Cancellations and cuts to library collection acquisitions would impact research, teaching, and clinical support.

- Compliance with critical requirements could be in jeopardy, including Title IX, research, and patient safety.
- Campus safety would be affected by a reduction in the number of UW Police Department officers.
- Advancement would experience a decline in amounts raised for gifts, grants, and endowments.
- Staffing to support state mandated reporting, information requests, bill analysis, state accounting and budgeting systems, and state compliance would be reduced.
- Recruitment funding, professional development, travel, and other non-essential activities would be reduced.

These are preliminary numbers and projections, and do not represent final decisions should state funding cuts of this magnitude be implemented. The University is awaiting action by the state and federal governments before final decisions are made regarding any significant cuts to state-funded budgets. Once revenue forecasts are official, we urge our state leaders to convene to leverage state and federal emergency funding, and implement creative approaches to minimize the impact of state budget cuts to the University and the public higher education sector while our University works with you on a recovery from the pandemic. I want to emphasize again that cuts of this magnitude are short-sighted and would severely damage our institutions' ability to provide a high-quality and affordable education to our students, as well as public service and support during this public health crisis.

We understand that the state is facing immense budget pressures. However, the current situation has made abundantly clear the degree to which the University of Washington is essential to our state, both in terms of its front-line mobilization against COVID-19 through testing, research, and treatment, and the importance of an educated and informed public to adequately respond to unprecedented threats to our society and well-being.

Sincerely,

A handwritten signature in black ink that reads "Ana Mari Cauce". The signature is written in a cursive, flowing style.

Ana Mari Cauce  
President

Cc: Breann Boggs, Senior Budget Analyst, OFM

**Budget Savings Options 2020**

Dollars in Thousands

Agency: University of Washington

Agency Priority H, M, L	Impact 1-5	Program/Activity	NGF-S (including ELTA)		Other Funds			FTE Change		Brief Description and Rationale (see memo for additional detail)	Effective Date (MM/YY)	Impacts of Reductions and Other Considerations	Law/Reg. Change Required (cite)
			FY 20	FY 21	Fund	FY 20	FY 21	FY 20	FY 21				
H	4	FY21 Non-represented General Wage Increase increment		(4,353)						Increment of NGF-S between current FY20 and FY21. Non-rep only.	07/21	See memo	N/A
L	1	Remove OFM OneWA central service increments (PL)		(1,350)	149			(2,523)		Other funds: incremental tuition (Fund 149) assumed in state budget			
M	1	ELTA (Fund 08A): 15% reduction to current budget provisos		(1,650)						Computer science and family residency network provisos			
M	1	GF-S (Fund 001): 15% reduction to provisos since 2013-15		(4,862)						Includes WWAMI, ISCRM, UWM/Harborview, CSE enrollments, etc.			
H	1/2	Potential 10% reduction to institutional financial aid to backfill state cuts to GOF		(2,188)	149			2,188		Corresponding cuts to institutional aid result in equal increase in Fund 149			
M	1/2	ATB reduction to operations spending (supplies, materials, etc.)		(7,972)						Reduction to all supplies/materials purchases			
H	1/2/3/4	ATB cuts resulting in layoffs/furloughs/closed positions (compensation and benefits)		(32,780)					(260)	ATB reductions to administrative, academic, and academic support units.			
Revised Target (no one-time comp):				(55,155)									
Total:				(55,155)									
Difference:				-									

**Priority:**  
 L = Low priority agency activity or program  
 M = Medium priority agency activity or program  
 H = High priority agency activity or program

**Impact:**  
 1 = Allows continuation of the program/activity at a reduced level  
 2 = Eliminates the ability to perform program objectives  
 3 = Eliminates agency function  
 4 = Long term implications (moves the problem to next biennium)  
 5 = Short term (reduction to one time increase)

**Notes:**  
 1) Revised target FY21 reduction is \$55,155,000. Calculated as 15% of FY21 NGF-S (\$356,119,000 GF-S and \$18,542,000 ELTA) less one-time payments for represented employees of \$6,963,000  
 2) All amounts reduced for FY21 would carry forward into the next biennium as savings.