



November 22, 2010

Deans, Chancellors, Vice Provosts and Vice Presidents
Interim Executive Director, Health Sciences Administration

Dear Colleagues:

While Governor Gregoire's Washington state budget will not be released until mid-December and the legislative session will not start until mid-January, it is highly likely that both the governor's proposed budget and the final budget enacted through the legislative process will include significant cuts to most sectors of state government including higher education. The Office of Financial Management (OFM) has asked all state agencies to model a 10 percent reduction in state funds for the coming biennium. While we will continue our strong advocacy in Olympia, which makes clear the impact continued cuts of these magnitudes will have on UW students, faculty, staff and the citizens of the state, we must face the fact that a 10% reduction is a potential "best case" scenario. Following the passage of Initiative 1107 (repeals recently enacted taxes on bottled water, candy and soda and the passage of Initiative 1053 (reimposes a two thirds voting requirement on the state legislature for revenue increases) it is not likely that revenue solutions (unless they are referred to the voters) will be part of solving the state's \$4.5 billion budget shortfall. This means that we may see cuts to the UW much deeper than the currently requested model of a 10% reduction.

Irrespective of the final reduction in state funding, we need to recognize that the cumulative results have fundamentally altered our funding model—we have gone from a majority of our core education budget coming from state funding to a model in which tuition represents the largest portion of our core education budget. Further, the amount of additional tuition revenue over the last couple of years does not fully replace the loss of state funding and we have all had to maintain our respective unit's efforts with fewer resources, resources that will again net downward in the upcoming fiscal year.

Despite these reductions, the UW has taken steps to deal with the new budget realities. The university leadership, including all of you, have worked diligently on the [Two Years, Two Decades](#) (2y2d) initiative in the last year. As we have discussed, two major initiatives are now underway as part of the [Sustainable Academic Business Plan](#): the [Program Evaluation Initiative](#), and the [Operational Effectiveness Initiative](#).

Under the Program Evaluation Initiative, the metrics about academic units that have been requested by my office will be evaluated and discussed in the budget meetings between the provost and the deans and chancellors that will take place early next year. The Organizational Effectiveness Initiative (OEI) will be conducted in tandem and is aimed at improving administrative units. This process will assist in discovering methods to create efficiencies within the administrative units that will both ease the work load that has increased under budget cuts *and* make it possible to still pursue improvements and new goals.

Fiscal Year 2012 Budget Development (see attached checklist)

I. Use of last year's funds.

In developing your proposals on how you might deal with budget reductions I would like to understand how the decisions incorporated in this year's budget (FY11) impacted your unit's respective budgets.

- A. Please review ([Attachment A](#)) and provide a short detailed summary of how you utilized the funding provided to you from the provost's reinvestments. (For academic units please also provide detail on how your share of the second (and last) allocation of temporary funding was deployed in your unit.)
- B. As specifically as possible please answer the following questions (note that the second and third questions are not germane to University Units):
 - What administrative efficiencies have you achieved as a response to these budget reductions?
 - What has been the overall impact on faculty and instructional staff levels (including TAs) from the cumulative budget reductions and how did the funding provided in FY11 mitigate reductions to these levels?
 - What has been the change in classroom education including course offerings, class size and use of alternative methods of instruction delivery?
 - What has been the overall impact on support and administrative staff levels from the cumulative budget reductions and how did the funding provided in FY11 mitigate reductions to these levels?
 - What major compliance and risk issues have arisen in your units and what efforts have you made to mitigate these issues? Have you had to deal with additional compliance or risk exposures that have not been funded in your base budget?

II. Proposed Budget for FY12

[Attachment B](#) provides a current budget profile of Academic and University Units and reflects the current GOF/DOF-LFA base including the adjustments for the FY11 mid-year reductions and the completion of benefits decentralization. Consistent with past procedures, some items are excluded from the calculation of a unit's base budget. Research Cost Recovery (RCR) allocations are not included in the base budget for a unit and are exempt from these cuts. Certain institutional budgets such as utilities, investment management fees, etc. ("fixed cost" budgets) are excluded from the calculation as well.

This profile also shows the dollar value of a modeled 5% and 10% reduction to your current base. As in the past during this period of state funding reductions, we will not implement the final reduction in state funding across the board. The deliberations we have in our budget meetings and the work done through "2y2d" will afford us the information to address the final budget shortfall in a strategic approach consistent with our past process. These modeled numbers are simply a proxy to allow us to have a greater understanding of the impact of these cuts on our instructional and

supporting services represented in individual unit budgets. (It is important to note that if the state budget situation worsens beyond our estimates we may need to ask you to model even deeper cuts.)

Additionally, these reductions do not include any offset from tuition. While we have delayed the full launch of ABB until the start of FY12 I am absolutely committed to this approach, and barring extraordinary abandonment of funding by the state, I plan to allocate any incremental tuition along the lines that we did this year: 70% will be allocated to Academic Units based on SCH, degree and enrollment distributions and 30% will be allocated based on the results of the budget information you provide and the subsequent budget meetings.

The annual budget meetings with units (at the decanal, chancellor, vice provost and vice president level) will be conducted in February and March of 2011. My office will be scheduling these meetings with Academic Units in February and University Units in March. To assist with the gathering and submission of the information required for budget discussions, the Office of Planning and Budgeting has created a website at <http://www.washington.edu/admin/pb/home/uw-pem.htm>. Instructions and metrics developed by OPB will be posted on this site, which is accessible to all units. There will be no restriction in viewing these data, if you would like to compare one program to another, this website will enable such comparisons. Forms and templates will also be made available on the same website to all units by December 1, 2010, which will help standardize the requested information and responses outlined below. These data and tools are provided to help your units in your FY12 budget development. The Operating Resource Group (Campus Budget Office) will be sending out separate detailed instructions that will also be available on the website.

In preparation for these meetings, please answer the questions posed below regarding how your unit would deal with a 5% or 10% reduction level to your base.

For Academic/Activity Units

- What are your strategic priorities, based on your own strategic plan and the results from the Program Evaluation Initiative?
- What administrative efficiencies do you propose as a response to these budget reductions?
- What will be the overall impact on faculty and instructional staff levels (including TAs)?
- If you propose to cut faculty positions using vacant lines, what process will you use to reallocate future vacant positions to address your strategic priorities?
- What will be the predicted change in classroom education including course offerings, class size and use of alternative methods of instruction delivery?
- What will be the overall impact on support and administrative staff levels?
- What major compliance and risk issues will arise in your units and what efforts will you make to mitigate these issues?

Please also provide the Program Evaluation documents to support your proposals. For the purposes of this exercise, “program” refers to a department or non-departmentalized school or college, or in a few cases an alternative unit structure as requested. Please read the forthcoming [instructions](#) related to the program evaluation process carefully website

and use the templates and forms provided to submit the required information for each program in your unit:

1. Program narratives that utilize centrally-provided and unit-provided information to address the Program Evaluation criteria at the program level. Criteria and data should follow the unit plans you submitted to the Provost on November 5th.
2. A college-wide narrative that addresses the Program Evaluation criteria and metrics of the college as a whole. Criteria and data should follow the unit plans you submitted to the Provost on November 5th.

In addition, the OPB website has instructions for providing projections of changes in the size and scope of your unit based on unit history and plans including an explanation of the causes of any major anticipated changes.

For University Units

- What are your strategic priorities, based on your own strategic plan?
- What administrative efficiencies do you propose to help mitigate these budget reductions? Please briefly describe your current organizational development/organizational improvement/process improvement initiatives, and the timeline for achieving your goals.
- Please describe the metrics you will use to measure success (for example, cycle time reduction, customer satisfaction, cost savings, etc.). If possible, provide benchmarking information also.
- What will be the impact on your campus service mission?
- What will be the overall impact on support and administrative staff levels?

What major compliance and risk issues (financial, operational, strategic) will arise in your units and what efforts will you make to mitigate these issues?

The Organizational Effectiveness Initiative lead, Ruth Johnston (ruthj@uw.edu), can provide assistance with this effort.

In addition, the OPB website has instructions for providing projections of changes in the size and scope of your unit based on unit history and plans including an explanation of the causes of any major anticipated changes.

Please consider all budget building documents *public*. Detailed information regarding layoffs is not necessary, but general information based on category of employee is required. I need to be able to determine how budget cuts will affect faculty, staff, and students. To ensure that we have a frank and candid conversation at the annual budget meetings, please limit representation from your unit to yourself and one or two individuals who can assist in providing supporting detail to areas from your submitted materials that we may focus on during the meeting.

Again, please reference <http://www.washington.edu/admin/pb/home/uw-pem.htm> to retrieve the metrics for your unit and the templates to be used to submit your projections and narratives. The Operating Resource Group (Campus Budget Office) will be sending out separate detailed instructions

later in the fiscal year on how to enact budget reductions as they are decided upon. These will also be available on the website.

For Academic Units, in both your discussion of your budget reduction plans for FY12 and for 2y2d assessments please be proactive in consulting with your elected faculty council and other faculty and staff groups within your unit.

Likewise, for University Units, please be proactive in consulting with staff, leadership, and your appropriate advisory boards and other stakeholder groups.

I will be working closely with the Faculty Senate Committee on Planning and Budgeting (SCPB) to ensure that we are all working to the same understanding of the approach we are undertaking. To ensure that we all have sufficient time to review submissions, please submit all materials electronically to Amy Floit, Director of Budget Operations (afloit@u.washington.edu) by **February 1, 2011**. Questions about the program evaluation metrics should be addressed to Carol Diem at cdiem@u.washington.edu or 543-6285. Questions about the budget base should be addressed to Amy Floit at afloit@u.washington.edu or 685-9961. Of course any general process questions or observations can be directed to me or Vice Provost Paul Jenny.

Although we once again face an extremely challenging budget cycle, it is an opportunity to be creative with our strategic plans. Our two new initiatives, Program Evaluation and Organizational Effectiveness, are important steps we are all taking together to deal with budget realities. These efforts demonstrate the foresight and preparatory work you have all carried out to minimize the impact of our budget situation on the quality of the programs at the university. I look forward to discussing your ideas and thoughts in the budget discussions in February and March of 2011.

Sincerely,



Mary E. Lidstrom
Provost and Executive Vice President

Attachments

c: Phyllis M. Wise
J W Harrington
Bruce Balick
Carol Niccolls
Gary Ikeda