



THE EVERGREEN STATE COLLEGE

June 14, 2012

Executive Summary

TO: Board of Trustees

FROM: Thomas L. Purce, President

REFERENCE: 2015-2017 Legislative Operating Budget Request

1.) Administrative Recommendation

Approve the 2015-17 Proposed Operating Budget Request as summarized below:

2015-17 Legislative Operating Request Outline			
Current Funding Levels for 2013-15	2015-16	2016-17	Total
State General Fund	18,351,000	17,371,000	35,722,000
Education Legacy	2,725,000	2,725,000	5,450,000
Total Near General Fund	21,076,000	20,096,000	41,172,000
Estimated Tuition at 4313 FTE Enrollment	33,239,000	34,284,000	67,523,000
Total Current Level Budget	54,315,000	54,380,000	108,695,000
<i>General Fund as a Percent of Total Request</i>	<i>38.8%</i>	<i>37.0%</i>	<i>37.9%</i>
OFM Current Level Calculations for 2015-17	2015-16	2016-17	Total
State General Fund	18,076,000	17,800,000	35,876,000
Education Legacy	2,725,000	2,725,000	5,450,000
Total Near General Fund	20,801,000	20,525,000	41,326,000
Estimated Tuition at 4313 FTE Enrollment	34,239,000	34,284,000	68,523,000
less impact of changing enrollment levels to projected 3864 FTE	(3,351,762)	(3,396,762)	(6,748,524)
Adjusted Tuition Estimates for the 2015-17 biennium	30,887,238	30,887,238	61,774,476
Total Modified Current Level Budget Request	51,688,238	51,412,238	103,100,476
TESC Policy Request Initiatives for 2015-17	2015-16	2016-17	Total
Priority 1: Obtain Fully Funded Maintenance Level Adjustments	111,493	50,705	162,198
Priority 2: Faculty and Staff Compensation and Development	2,000,000	3,000,000	5,000,000
Priority 3: Physical Plant Maintenance Funding	750,000	750,000	1,500,000
Priority 4: Computer Science Curriculum Backlog	500,000	500,000	1,000,000
Priority 5: Latino/Latina Pipeline Development Initiative	750,000	750,000	1,500,000
Total Maintenance and Policy Level Requests	4,111,493	5,050,705	9,162,198
<i>Percent Change from Modified 13-15 Current Level Calculation</i>	<i>8.0%</i>	<i>9.8%</i>	<i>8.9%</i>
Total TESC 2015-17 Operating Budget Request	2015-16	2016-17	Total
State General Fund	24,912,493	25,575,705	50,488,198
Education Legacy	2,725,000	2,725,000	5,450,000
Total Near General Fund	27,637,493	28,300,705	55,938,198
Estimated Tuition	30,887,238	30,887,238	61,774,476
Total Current Level Budget	58,524,731	59,187,943	117,712,674
<i>General Fund as a Percent of Total Request</i>	<i>47.2%</i>	<i>47.8%</i>	<i>47.5%</i>

Explanation:

- a) Present Policy: The proposed 2015-17 legislative operating budget request is one element of a set of efforts to minimize further reductions to our core funding structure. Given the prospects for significant shortfalls in the state budget for the 2015-17 biennium due to caseloads and demands for services increasing at a faster pace than state revenue collections and the McCleary court decision regarding the constitutional requirement to fully fund basic education.

Over the last four years Evergreen has experienced a decline in state funding from 65 percent to 35 percent. Even with cumulative tuition increases of nearly 70 percent during this time, the College has implemented net budget cuts of nearly \$8 million (15 percent) affecting every area of the college, including the loss of 65 positions and for student less academic support, reduced access to high student demand programs, increased time to degree and increased indebtedness. Though the state has continued its investment in student financial aid programs, the actual demand for aid has far exceeded the funding levels provided and potential policy changes at both the federal and state levels place future student accessibility in question. At the same time there continues to be increased demand by policy makers at the national and state levels for increased completions and degree productivity.

The damage from these pressures is becoming clear. After a strong period of growth, most recently propelled by a poor economy, the college participation pipeline has flattened and is on the decline at the state and national levels. Evergreen enrollments reflect this trend. In addition students enrolled and enrolling at Evergreen are demographically more diverse and in need of higher levels of financial and support assistance. Over the last three years, at the state level growth in application for need based aid rose by 64 percent; applications have increased by 29% for this same time period at Evergreen. The combination of declining state funds, rising tuition, and a needier student population, leaves little opportunity for the success of a high aid, high tuition model.

There is no question that the college will continue to face significant pressure on the core budget in the ensuing biennium given that state revenues are projected to be well below levels necessary to fund current services levels and address the mandatory K-12 funding requirements. We assume that the legislature will continue to be interested in advancing degree production at lowered state subsidy levels in both support for college operations as well as student assistance programs. We will continue to advocate for improved compensation levels for our faculty and staff as we engage in important negotiations on three labor contracts in the coming months.

It is within this fiscal and political context that this budget request is designed to simplify our college message by focusing only on core support to address non-competitive salaries, reduce physical plant deferred maintenance, eliminate wait lists for students wanting to study computer sciences and to develop a new Latino/Latina student pipeline development initiative. These request initiatives

will be limited to no more than 10% (\$5 million/year) above the carry forward budget level.

Additionally given the fiscal structural problems facing the state OFM has also asked all agencies to identify, describe and prioritize budget reductions equal to 15 percent of unprotected Near-General Fund Maintenance Level budgets. Since 2/3rds of the state budget is protected only 1/3 of the state budget is being asked for these reduction plans. Higher education represents 25% of that 'cutable' portion of the state budget. For Evergreen a 15% reduction to the near general funding level would amount to just over a 6% total reduction (\$3 million/year) of our combined general fund and tuition revenue supported operating budget.

The recommended action delineates the essential elements necessary to maintain our basic core funding structure. Our policy recommendation is to request legislative support to increase our per student state funding levels to support student retention and recruitment of students, faculty and staff, in a way that continues to support state goals within this new paradigm. Regarding OFM's request for detailed 15% reduction plans we intend to communicate that with any reduced level of support and/or tuition increases, will have an immediate impact on student access. Components of this strategy include:

Core Funding Priorities:

- Fully funded maintenance level budget
- Improve faculty and staff recruitment and retention
- Reduce maintenance backlog of our physical plant
- Increase access to computer science curriculum
- Develop a Latino/Latina Pipeline Initiative

15% Budget Reduction Plans:

- Enrollment reduction of up to 600 FTE

Although we are recommending the above mentioned policy initiative framework the final documents will require modification due to continued work through the Council of Presidents work in developing a COP common legislative agenda. At this point we do not assume that these additional external processes will materially change the underlying policy intent of our request, they will influence the underlying details of our request submittal. However if there are any material modifications to this request as outlined, we will ask the board to consider approving a modified biennial budget request at a subsequent board meeting.

When the state's final budget is set next Spring, we will return to the Board seeking approval of an operating budget spending plan for the 2015-17 biennium.

b) Proposed by: Thomas L. Purce, President

- c) Purpose: To approve the 2015-17 Operating Budget Request to be forwarded to the Governor and Legislature.

2.) Scheduling:

Upon approval of the proposed 2015-17 Operating Budget Request, staff will prepare the necessary documentation for submission of the college's operating budget request that is due to OFM on September 19, 2014.

3.) Fiscal Impact:

The Legislature will determine a final level of state funding for our operating budget and the state need grant program for the 2015-17 biennium. This proposed budget request assumes that state funding will be the exclusive funding source to support these initiatives. We will not request that tuition be increased in our request. However we expect that the legislature will continue to establish the parameters for tuition and fee increases. Together, these policy frameworks can hopefully provide the necessary improved state funding support to address our most pressing fiscal priorities.

4.) Program Impact:

The funding increases requested in this recommendation would address significant college concerns regarding the lack of adequate funding levels to support college operations. Adequate compensation levels for faculty and staff and basic funding sufficient to support for our current and future students continue to be our highest college priorities.

5.) Legal Process:

Washington State Law and the Board's Delegation of Authority require that the Board formally approve the college's legislative operating budget requests.

6.) Staff Review:

_____ Executive Assistant to the President

_____ Executive Director of Operational Planning and Budget