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The
Evergreen
State
College

Standard 7
Finance

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Introduction

In 1994, the finance subcommittee to the Long-Range Planning DTF wrote: "The central problem Evergreen faces is how to ensure a strong fiscal base that enables us to maintain quality and enrollment in a time of decreasing state contribution and limited resources" (Exhibit Room, Exhibit 7-16: Establishing A Sound Fiscal Base, 1994). Since that time, the State of Washington has experienced a sharp and steady increase in demand for access to higher education. Evergreen has taken a hard look at our enrollment plan, how we plan strategically, and how we make decisions. These changes, as well as legislative changes, have had a significant effect on how Evergreen plans, allocates, and manages our financial resources.

Financial Planning

Washington law prescribes that Evergreen's governance is fully vested with the Board of Trustees. The board has full authority and responsibility for setting major policies and strategic directions for the college and is accountable for carrying out the legal intent of state appropriations (see Standard 6). The board also has authority to delegate to the president or her or his designee, any of the powers and duties vested in or imposed upon such governing board by law. Evergreen's board reviewed the legally mandated functions of the board and assessed which areas of this policy-making function are of the long-term strategic nature. In 1995, the board reserved those functions within their authority and delegated all other powers and duties to the president. The intention of this action was to allow the board to focus on long-term, strategic planning for the college.

Evergreen's financial planning process is both internally and externally driven. As a state institution, we must comply with the requirements set forth by the Office of Financial Management (OFM). Internally, we must allocate resources in a way that will promote success in achieving, and even surpassing, the college's goals and objectives.

Budget

The state process for both operating and capital budgeting is sound. Each biennium, the state requires the submittal of a two-year operating budget plan, decision packages that identify program changes being requested, and a ten-year capital plan. These are well-defined documents that are published and submitted to OFM. Each biennium also brings changes in budget submittal requirements. The development of these external requirements is done through consultation between OFM, the Higher Education Coordinating Board (HECB), and the various institutions of higher education. Representatives from Evergreen take part in various statewide committees and study groups that help formulate the state budgeting process. Examples include OFM's Capital/Communications Committee, the HECB's Accountability Measures work group, and the HECB's Space Capacity and Utilization Study Committee.

> Washington State's budget process cannot be characterized by any single budget decision model. Elements of program, target, and performance budgeting—along with traditional line-item budgeting associated with objects of expenditure—are all used in budget decision-making. In general, Washington emphasizes expected changes in services that can be achieved through revisions to the current expenditure base. Like many states, Washington is reviewing its budget process with the intent of re-examining service delivery systems, clarifying the relationship

between resources and outcomes, and utilizing more performance-based measurements of success. (Exhibit Room, Exhibit 7-17, Washington State's Budget Process, 1997)

For 1997-99, the state budget process required agencies and institutions of higher education to link strategic plans, operating budget request initiatives, and performance measures in our biennial budget request. Although not required in budget submittals, the college has previously used the campus long-range plan in formulating and screening new request initiatives. For example, requests for student enrollment increases are based upon the college's enrollment growth plan, which spans the time frame of 1997 to 2010.

Although Evergreen has been linking budget request initiatives with issues identified within the long-range plan, we are just beginning to make progress towards linking accountability measures to budget. For the 1997-99 biennium, the legislature approved a budget for higher education that tied a portion of our operating base to our ability to make progress toward six specific accountability measures.

The HECB approved Evergreen's 1997-98 Accountability Plan in October 1997. The plan and accountability measures are linked to the statewide Higher Education Master Plan, to assessment, to academic program reviews, and to statewide diversity efforts. Three institutional goals were set by the legislature in the areas of student retention, graduation efficiency rates, and freshman five-year graduation rates. Two additional goal areas were stipulated by the legislature but left for specific definition to the HECB and individual institutions. More specific information about this planning effort is included in Standards 1 and 2. The complete Accountability Plan is available in Exhibit Room, Exhibit 7-18.

Changes in the state process described above, in turn, cause changes in our internal process. However, the budget cycle is comprised of three main stages that take eighteen to twenty months to complete:

- internal development of the budget and approval by the board
- submittal of the budget to the governor's office with negotiations and final determination of the budget by the legislature
- internal implementation of the legislatively approved budget

Washington enacts budgets for two-year cycles, beginning July 1 of each odd-numbered year. Since the inception of annual legislative sessions in 1979, it has become common for the legislature to enact annual revisions to the state's biennial budget. These revisions are referred to as supplemental budgets.

Evergreen's internal operating budget process follows the state's two-year cycle and focuses on identifying what changes are needed to the previous base expenditure level. While the state issues budget instructions in May with budget submittals due in September, our internal process begins much earlier to allow broad participation by each of the major divisions and functional areas within the college. This timeline ensures that campus-wide participation is accomplished prior to the end of the academic year.

The Vice President for Finance and Administration coordinates with the senior staff—comprised of the president, the vice presidents, the executive associate to the president, the executive director of college advancement, the assistant to the president for legislative affairs, and the college budget officer—in developing recommendations for budget processes, guidelines,

and schedules. The budget officer coordinates with each of the four divisional budget coordinators to accomplish work required by the senior staff.

Each vice president and divisional budget coordinator develop his or her own divisional process and schedules to accomplish the institutional budgetary requirements. The budget officer coordinates both the technical and policy aspects of the budget development process through regular meetings with the budget coordinators and through his role with the senior staff.

Requests for new initiatives are submitted by each division and reviewed by the senior staff in the context of the college mission statement and long-range plan. The president makes the final determination and submits the budget recommendations to the board of trustees for approval. Upon approval by the board, the college distributes summary information to the campus community and completes the necessary documents for inclusion into the college biennial budget submittal to the governor. Copies of the official request are distributed to the president, senior staff, budget coordinators, other deans and directors who contributed to major pieces of the request package, and the chief shop steward of our labor union, and a copy is placed on reserve in the library.

The legislative process from budget request submittal to final approval of the budget by the legislature lasts from September to June. There are many different versions of the budget that come out during the legislative session. The college attempts to keep the entire campus community informed about significant issues that are being discussed or policy concerns that are raised during the session. Legislative information is regularly provided at weekly senior staff meetings, weekly divisional deans and director meetings, monthly management breakfast meetings, and the board of trustee meetings. The president's office also provides budget and legislative updates to the community at large on an ad hoc basis.

The final budget rarely incorporates our unique institutional request initiatives. Usually, higher education is treated as a system in an equitable fashion. For example, new enrollments, salary increases, or quality enhancement funds are usually distributed across the entire system by formula.

Other than a few budget provisos, the legislature grants the college broad discretion over remaining funds in the form of lump sum annual appropriations. The college follows the budget request process described above to establish line item biennial budget allocations that are submitted to the Board of Trustees for approval. Upon approval by the board, the budget goes into effect July 1, completing the cycle that began eighteen to twenty months earlier. The college's 1997-99 Operating Budget Request (Exhibit Room, Exhibit 7-19), the 1997-99 Capital Budget Request and 10-Year Plan (Exhibit Room, Exhibit 7-20), and the Board of Trustees approved spending plan (Exhibit Room, Exhibit 7-13) are available in the exhibit room for the review team.

Debt

The bulk of our capital outlay is funded through the state's capital budget process, so we are not required to monitor the relationship between capital and operating outlay. The auxiliary accounts do procure debt for necessary capital outlay and are monitored closely by the managers of those areas, as well as by the Controller, to ensure that the appropriate debt service ratio required by each bond issue is maintained. Housing and the bookstore are currently carrying debt. However, the food services operation is planning a major facilities renovation, which will require long-term financing within the next two years. Requests to incur additional debt are submitted to the Vice President for Finance and Administration for review. The Board of Trustees authorizes the borrowing of money and the issuance and sale of revenue bonds.

The college's long term debt consists of the following, all of which are being repaid on schedule:

1. Housing Refunding Bond series 1994 in the amount of $6,565,000 of which $5,475,000 is still outstanding and is repaid solely from student housing fees.
2. Bookstore equipment lease/purchase contract through the State of Washington in the amount of $72,477, of which $38,682 is still outstanding and is repaid solely from Bookstore revenues.
3. Housing equipment lease/purchase contract through the State of Washington in the amount of $1,275,000, of which $1,233,838 is still outstanding and is repaid solely from student housing fees.

All debt of the college is financed through defined revenues and the amount of debt is not excessive for management by the college. Schedules for the life of each debt instrument are maintained and a five-year projection is published in our annual financial statements.

Adequacy of Financial Resources

As a state institution, Evergreen has a stable funding source. Legislative changes in 1994 allow tuition revenue to be carried forward. This has provided the college with more flexibility and stability to manage our resources. Rather than having to spend down budget by the end of the fiscal year, we can take time to make better strategic decisions about how to use savings to support our goals.

However, we recognize the continued need to diversify our funding sources. As part of the 1994 Long-Range Planning DTF, which ultimately shaped the college's long-range plan, the finance subcommittee examined how the college could establish a sound fiscal base. The subcommittee examined external and internal factors influencing the college's fiscal base, revenue, and opportunities for enhancement, and alternative means of finding new resources. The subcommittee concluded that "while controlling current costs and pursuing internal efficiencies, Evergreen can and should try to enhance its fiscal base. . . ." The subcommittee identified a number of areas of possible future growth including the following:

- further developing the college's summer school program
- initiating a continuing education program
- more aggressively seeking federal and state grants
- continuing to develop long-term potential in terms of private support
- maximizing profitability in auxiliary services
- exploring ways to enhance institutional efficiencies
- carefully controlling the hiring of personnel to maximize salary gains from replacing senior people with more recently trained individuals

(Exhibit Room, Exhibit 7-16: Establishing a Sound Fiscal Base)

The current long-range plan, revised in March 1997, continues to stress the need for revenue enhancement and increased efficiencies in ways that are consistent with the mission and goals of the college. We have implemented recommendations in the following ways:

1. We have strengthened College Advancement staffing including the Foundation.

2. We have added staff to support faculty in developing grants that will enhance our academic programs.
3. We are more active in developing partnerships with other institutions and the private sector. An example is our partnership program with Grays Harbor Community College. The HECB and the State Board for Community and Technical Colleges initially funded this with an innovation grant.
4. The auxiliary operations are working to clarify their mission and goals and to improve their operations. For example, the Bookstore developed a business plan after conducting a self-study and peer review; housing is concluding a two-year analysis and planning effort which includes a study by an internal DTF, a peer review, and a consultant's study of the facilities.

The college utilizes a blend of different funds—state general funds, tuition and fees, local dedicated funds, auxiliary funds, and grants—to accomplish its mission. A good example of how the use of these funds are blended, within legal restrictions, is that a portion of summer school revenue (a local dedicated fund) is earmarked to purchase computing equipment for faculty and academic staff. Another example is how offerings for summer quarter, a self-supporting program, complement and augment the regular academic year, which is state-supported.

Local control of tuition has created both a means of flexibility and an additional responsibility for the college. Local control enables us to maintain a financial reserve. But it also requires us to rely on meeting our targeted enrollment levels to maintain our planned budget. Tuition is also a more significant part of our budget as the state support portion decreases.

Financial statements indicate a small increase in fund balance over the last five years. Some individual accounts have accumulated deficits, which are being addressed by the managers of those operations and their vice presidents. Plans to decrease the deficits are incorporated into the biennial budget approved by the Board of Trustees.

The college pools its cash in one bank account but splits the cash balance for reporting purposes. If an operation of the college has a negative cash balance at the end of the year, a temporary inter-fund transfer is created to cover the deficit using excess funds from another college fund. This is done in accordance with a delegation by the Board of Trustees and is done to comply with accounting and budget requirements set forth by the Office of Financial Management.

The college, as a public four-year institution, has identified its sources of financial aid based on prior and current year allocations from state and federal government agencies. As a public institution, unfunded student financial aid is not applicable to Evergreen.

All of the college's auxiliary enterprises, such as the Bookstore, Housing, and Student Activities, are self-supporting. These areas pay for services provided from state supported areas, such as services from accounting and facilities. Any excess revenues remain within the auxiliary operations in order to accomplish long-term goals such as equipment replacement and changes to their programs. Fees and expenditures are analyzed regularly to ensure that projected expenses do not exceed projected revenues. If operating losses do occur, fees and expenditures are adjusted accordingly. Annual budgets are reviewed and approved by the vice presidents and president. Approved budgets are then submitted to the Board of Trustees. For auxiliary funds with debt service, we make sure we can meet debt service ratio requirements.

Washington State institutions of higher education are reviewed every two years in terms of cost per student. This is defined by a budget based on state-appropriated levels plus projected student operating fees, for the fiscal year. Because of our small size, Evergreen does not benefit from economies of scale. In comparisons, our cost per student is higher than the other four-year institutions in the state, ranking third—behind the research universities. Most of the differences are attributable to diseconomies of scale and purposeful investments in areas such as the library. This has caused friction politically for Evergreen in the legislative arena. As we grow according to our enrollment plan, this difference will diminish and it has closed noticeably in the past ten years. However, we continue to monitor and examine our cost per student so we clearly understand the differences and can articulate why our cost per student is higher than other Washington four-year colleges. Since 1980, the ratio of total FTE staff to FTE faculty has declined gradually from 2.6 staff per faculty to 2.3 in 1996-97. The latest college study of cost differences is available in Exhibit Room, Exhibit 7-21.

Financial Management

The college's financial officer, the Vice President for Finance and Administration, reports directly to the president. The role of the Vice President for Finance and Administration is to manage the resources of the college by planning, developing, and establishing policy and budgets and by directing, monitoring, evaluating, and guiding the activities of staff responsible for the functions of accounting, purchasing, facilities, employee relations, general services, computing and communications, and selected auxiliary services. This organization is typical for a college of our size and complexity.

Reporting

The college's accounting system and financial statements follow generally accepted accounting principles of fund accounting for educational institutions.

Annually, the president and Vice President for Finance and Administration present the Board of Trustees with the college's audited financial statements. These are prepared in NACUBO format and are currently audited by the Washington State Auditor's Office. (Exhibit Room, Exhibit 7-12: 1997 Financial Report)

On a quarterly basis, the Vice President for Finance and Administration presents the Board of Trustees with a management report that outlines the following:

1. Budget Summary for Operations of the State General Fund and Tuition Revenue
   This summarizes the annual budget, expenditures-to-date including encumbrances, budget balance available, and percentage available by division. It includes the operating accounts funded by state appropriations and tuition revenues.
2. Equipment and Reserve Accounts
   This summarizes the biennial budget, expenditures-to-date including encumbrances and budget balance available by division. It includes divisional one-time activities including equipment purchases. In addition, institutional operating reserves are reported.
3. Income and Expenses for Local Dedicated Funds
   This summarizes activity in special revenue accounts by type of program. It includes revenue and transfers, expenses and net income with memorandum beginning and month-end cash balances.
4. Capital Project Accounts
   This summarizes the biennial budget, expenditures-to-date including encumbrances and budget balance available by state appropriation and fund. It includes repairs and im-

provements funded by the state. (Exhibit Room, Exhibit 7-22: Management Reports (1997-98))

Account managers receive monthly reports on the status of the expenditure and revenue transactions for the funds they manage. This information is also available on-line on an ongoing basis. Accountants in the controller's office also work with account managers, budget coordinators, and the office of institutional research to develop and produce reports from the financial system that help provide information for monitoring financial transactions, for developing budgets or business plans, and for producing special reports that are requested by external agencies, auditors, and the legislature. Computer analysts provide similar services for people requesting information from the student records and financial aid systems.

The Department of Education recertified the college to fully participate in Title IV programs. In part, recertification is granted based on the institution's ability to oversee the federally funded programs. The Financial Aid Director is responsible for the administration of all federal, state, and institutional financial aid programs. Additionally, state audits of programs are performed on an annual basis.

The college's investment policy states: "The Board of Trustees of The Evergreen State College is invested by statute with responsibility for the management of the properties of the college, including its endowment and other college funds. The primary objective governing the investment of college funds is the maximization of financial return based upon a minimum of risk" (Policy 7.C.4.1). Interest on investments are distributed proratably each quarter to the various accounts contributing to the total pooled investments, and accounts with negative cash are charged interest. The Controller prepares a quarterly report on all investment activity in the college, which he submits to the Vice President for Finance and Administration.

The college's controller also works closely with the Office of Financial Management regarding state cash management policies and is a member of a state-wide cash management committee which examines issues of cash management including the use of credit cards, electronic transfer of funds, and state-wide investment guidelines.

Internal Audit

Several years ago the college's full-time internal auditor left the college. This was during a time of budget reductions and lay-offs and the decision was made not to fill this position on a full-time basis. The Special Assistant to the Vice President for Finance and Administration, who is a CPA, assumed the internal audit responsibilities on a more limited basis.

The internal audit program focuses on those areas that carry the greatest risk, such as cash management, internal control review, inventory management, and conducting investigations when necessary. The Special Assistant works closely with the Controller in reviewing processes in the accounting system, particularly when new processes are proposed. The Special Assistant performs all reviews and investigations that are required by law and policy. Some examples are the whistle-blower program and reviews of administrative hearings where requested. Occasionally, the Special Assistant is requested by a vice president, dean, or director to perform a program review. The most recent example is when the Vice President for Finance and Administration requested a review of the motor pool program.

This system is functioning well, though there are many internal audit functions that cannot be performed, and this has the potential to cause problems in the future. The internal auditor works closely with the state auditor's office in order to avoid these potential problems and as a resource for investigations.

Audits

The college is required by state law to be audited by the Washington State Auditor's office. The regular audit consists of three parts:

- The Comprehensive Annual Financial Report (CAFR). The financial records of Evergreen are rolled in to the statewide annual financial report
- The Statewide Single Audit. This is an audit of Evergreen's federal funds
- The legal compliance audit. The college is audited to make sure it is in compliance with the RCWs, WACs, Session Laws, and the OFM manual

The college also contracts with the state auditors to audit the Housing operation in order to comply with our current bonding requirements.

The college has implemented internal controls to safeguard its assets, promote efficiency, and encourage adherence to prescribed policies. We have worked successfully in following guidelines and implementing recommendations from the state auditors. The result is that the college has received clean audits for the past three years. All audit reports are available for examination as part of any evaluation conducted by the Commission on Colleges. (Exhibit Room, Exhibit 7-12: 1997 Financial Report)

Fundraising and Development

The relationship of Evergreen's fundraising efforts to academic needs and to the mission and goals of the college can best be examined through two dimensions: (1) overall organizational structure, and (2) fundraising priorities of The Evergreen State College Foundation.

Organization

The structure we've developed for management of external fundraising is perhaps rather unique to Evergreen, as are so many things. The institutional development program is administered by the Office of College Advancement, which includes management of the college Foundation, corporate and foundation relations, alumni affairs and development, donor relations and research, development services, college relations, and publications. Academic grant development is administered by the Provost's Office, which houses the Academic Grants Manager and grant development support staff. The offices' external fundraising efforts are very closely linked and include several intertwining activities and functions. The linkage at the operational level is reflected in the close collaboration of the Academic Grants Manager in the Provost's Office and the Director of Corporate/Foundation Relations in the College Advancement Office. Their offices coordinate all fundraising activities with state and federal sources, private foundations, and corporations. The Academic Grant Manager is physically housed in the College Advancement Office and attends advancement's weekly professional staff meetings. Both positions work closely with the provost, the academic deans, and other faculty. They are beginning this academic year (1997-98) to work very closely with academic planning unit coordinators as well. The offices together have developed procedures to eliminate duplication of effort or wasted effort on the part of campus grant seekers, to increase coordination and information flow in order to maximize fundraising efforts throughout the institution, to improve data collection and monitoring of grants in process, stewardship of awarded grants, and to develop long-range relationships with key funders.

In examining the Foundation's fundraising priorities, one first needs to understand that fundraising at Evergreen is still in its "infancy." As a very young and very small institution, we have fewer than 20,000 alumni. The vast majority of them are just reaching the age when ability to give corresponds with desire to give. Through most of its existence, the Foundation's

fundraising efforts have focused on providing financial assistance to students by seeking scholarship support. This is the focus of the Evergreen Annual Fund (EAF), the Foundation's annual giving program. As with most, if not all annual giving programs, the EAF is the "foundation" for building the college's fundraising program, and this is where most of the institution's development resources have been focused. Because we are a very small institution with relatively few resources to devote to "advancement," but also because we recognize the close relationship between alumni programming and development, Evergreen has managed alumni affairs and annual giving through one office under one director. For several years this unit of College Advancement has been the focus for resource development and staffing growth within the office.

Student financial assistance is also provided through annual or endowed undergraduate scholarships and through the graduate fellowship endowment. Building both of these efforts has been another priority for the development program. Annual and endowed scholarships are increasing steadily; in 1996-97 the Foundation exceeded its goal for new, renewed, and continuing scholarship support by more than 300 percent. The graduate fellowship endowment has significantly increased as well; since 1994, the Foundation has secured every fellowship match that the state has provided, and as a result, the endowment has increased by $200,000 in the 1995-97 biennium.

Other than student financial support, the relevance of the development program in relation to the college's mission and goals can most vividly be illustrated through three very successful initiatives. Two of these, the Evans Chair in Liberal Arts (the college's first endowed professorship) and the Library Endowment Fund, have been completed. The Evans Chair was instituted in 1995-96, following completion in 1991 of a drive to raise $250,000 which was then matched by the state to create a $0.5 million endowment. The $100,000 Library Endowment was instituted in 1996-97 and was created specifically to provide ongoing support for purchase of library materials. Both of these efforts grew from a fortuitous convergence of identified academic program needs and fundraising opportunity. In the case of the Evans Chair, the opportunity presented itself in the form of the state's endowed professorship matching program. With the Library Endowment, it came from a very generous contribution from an alumnus whose primary interest was in providing support for the library.

The third initiative, the Evergreen Fund for Innovation, is in progress. Started in conjunction with the college's twenty-fifth anniversary celebration, the Fund for Innovation will eventually be a $1 million endowment supporting ongoing innovative programs designed to enhance, reform or redefine teaching, learning, and service to students. The stunning success to date of the Fund for Innovation (more than $440,000 raised in less than nine months) is perhaps the strongest illustration of its resonance with the mission and goals of the college. Innovation in teaching and learning—creativity, invention, redefinition—have always been at the very heart of Evergreen's founding principles and continuing success.

The following table depicts the growth in giving:

Total Giving	**1990-91**	**1996-97**	**Increase**
Dollars raised from all sources	$498,608	$778,678	56%
Number of gifts from all sources	2,761	5,805	110%
Dollars raised from alumni	$39,087	$248,413	536%
Number of gifts from alumni	889	2,836	219%
Evergreen Annual Fund	**1990-91**	**1996-97**	**Increase**
Dollars raised from all sources	$140,835	$187,352	33%
Number of gifts from all sources	1,812	3,665	102%
Dollars raised from alumni	$29,129	$87,456	200%
Number of gifts from alumni	761	2,247	195%

(Source: The Evergreen State College Foundation, Annual Report 1997)

Fundraising Policies

The College Advancement Office serves as the principal liaison with The Evergreen State College Foundation. The executive director of the Foundation is also the executive director of College Advancement. In addition to the executive director, ex-officio members of the Foundation board of governors include the chair of the college Board of Trustees, the college president, and the Vice President for Finance and Administration.

The Foundation was established by the college Board of Trustees in July 1976 (Resolution 76-36) and is governed by Articles of Incorporation (adopted 24 September 1976) and official by-laws (adopted 1 December 1976). Establishment of the Foundation followed the May 1976 Board of Trustees resolution (76-19) approving the initiation and implementation of a comprehensive development program to encourage financial support from private sector sources. In 1988, the development office became a unit of the newly created office of college advancement. By policy adopted 1 February 1990, all campus fundraising is to be cleared through the office.

The Foundation is also subject to rules and regulations of the IRS as a tax exempt, 501(c)(3) organization, and to regulations of the State of Washington governing non-profit organizations, as specified in chapter 24.03 RCW. According to its by-laws, the Foundation operates "exclusively for the purposes of promoting, supporting, maintaining, developing, increasing and extending educational offerings and the pursuit thereof at or in connection with The Evergreen State College . . ."

Development staff and members of the Foundation Board of Governors engaged in fundraising efforts are guided by a variety of policies, procedures, and guidelines designed to ensure that fundraising is conducted in a professional and ethical manner. In addition to the external regulations and internal Foundation policies that ensure ongoing external audit of funds, adherence to gift accounting standards, prudent investment management, consistent reporting procedures, and avoidance of conflicts of interest on the part of members of the Board of Governors, a number of professional standards guide the work of development staff.

Beyond the obvious actions that are clearly illegal (for example, violations of the non-distribution code of 501(c)(3) tax code) and those that are clearly unethical (a staff member receiving a percentage of funds raised in lieu of salary; a board member receiving business-related compensation or contractual benefit because of his or her role on the board; a contribution or gift being used for purposes other than the donor intended), there are many ethical considerations in fundraising that are not clear cut. They can easily lead to more questions than answers and to conflicts between one "good" versus another. Because of these inherent ethical tensions, the development staff uses several means to remain informed and to think carefully and critically about the ethical issues that are essential to the health and well-being of Evergreen's fundraising program.

We do this through affiliation with fundraising professional organizations, with an institutional membership in CASE (Council for Advancement and Support of Education), and with individual professional staff memberships in NSFRE (National Society of Fund Raising Executives), the NPGC (National Planned Giving Council), NDOA (National Development Officers' Association), and other local, regional, or national groups. All of these professional associations provide ethical guidance. A starting point for all fundraising executives is the Code of Ethics and Standards of Practice developed by NSFRE. All members are asked to subscribe to both. The Statements of Ethical Principles address issues of professional competence and commitment, stewardship, charitable mission, privacy, cultural diversity, and conflicts of interest. The Standards of Professional Practice address issues involving civil and

criminal laws, professional conduct, advocacy, compensation, and donor/prospect information.

NSFRE, CASE, and other organizations have also signed a commitment to a Donor Bill of Rights, which provides another useful perspective for staff and volunteers involved in fundraising. The Donor Bill of Rights is distributed to staff and board members in the Board of Governors Handbook. It outlines ten guidelines for ensuring that donors and prospective donors can have full confidence in the Foundation and the causes they are asked to support.

New foundation board members receive thorough orientation and training, generally within six months of joining the board, which includes a review of ethical issues and considerations as well as information about legal and ethical requirements. Every board member receives a Foundation Board Member Handbook that is updated annually.

Professional staff members also subscribe to a number of list services in order to consult with colleagues in the fundraising field. As the World Wide Web has developed, this has become an increasingly useful resource for exchanging information, resources, and ideas. Ethical considerations are a frequent topic and issues are examined from a number of perspectives.

Last, we are making an effort to provide every professional staff member involved in fundraising with the opportunity to participate in "Principles and Techniques of Fund Raising," a week-long program presented at sites throughout the country by The Fund Raising School (TFRS) at the Indiana University Center on Philanthropy. TFRS is widely recognized as the premiere teaching program of its kind in the U.S. and has, since its founding, focused on the advancement of ethical fundraising.

Administration of Endowment Funds

Endowment and life income funds raised by the Foundation, except in the case of the Daniel J. Evans Professorship Endowment and the Graduate Fellowship Endowment, are held and managed by the Foundation. The Evans and Graduate Fellowship endowments represent monies raised by the Foundation and then transferred to the college in order to qualify for state matching funds. Although the college holds these funds, they are managed and invested in accordance with the policies of The Evergreen State College Foundation.

Foundation funds are managed and invested in accordance with the "Statement of Investment Policy, Objectives and Guidelines" adopted by the Foundation Board of Governors in November of 1994. The statement of investment policy establishes clear understanding of the investment goals and objectives of the Foundation, offers guidance and limitations to all investment managers regarding the investment of fund assets, and establishes management and performance evaluation standards.

An Investment Subcommittee of the Foundation Board of Governors' Executive Committee is responsible for reviewing investments and ensuring that policy guidelines are followed. The subcommittee meets quarterly with the Investment Manager (currently US Bank), and reports quarterly to both the executive committee and the full board of governors.

Management oversight is provided by the executive director; day-to-day management, accounting, and record-keeping of all Foundation assets is the responsibility of the Vice President for Finance and Administration, who serves as the assistant treasurer of the Foundation.

The relationship between The Evergreen State College and The Evergreen State College Foundation is defined and governed by the Quid Pro Quo, an agreement that reflects the

financial arrangement between the college and the Foundation for services provided by each party. Evergreen's Quid Pro Quo agreement has served as a model for the foundations established by public institutions throughout the State of Washington.

Concluding Analysis and Future Issues

In 1993, Washington State citizens passed Initiative 601. This initiative limits expenditures by the state with increases in expenditures determined by growth in population and Washington State's Implicit Price Deflator. However, growth in areas that are constitutionally protected or mandated by the federal government have outpaced the growth allowances in Initiative 601. Examples include the student enrollment growth in the K-12 system and growth in prison populations. This has caused the budget for other areas of government, including higher education, to be pinched. At the same time, demographics indicate there will be a greater demand for access to higher education in Washington over the next twenty years. While the governor has a strong commitment to education, higher education needs to continually examine how to serve students and deliver quality education programs in ways that are efficient and cost effective.

During the 1993-95 biennium, the legislature passed bills that first provided institutions of higher education with local control of tuition revenue and then provided the capability to carry these funds forward into future years. Local control of tuition revenue provides the college with greater incentive to meet enrollment goals as well as greater flexibility in managing this portion of our financial base. And as the state portion of total costs declines, the college has flexibility over a greater portion of our financial base. The following table identifies how our total financial base has changed over the past seven biennia.

Biennium	Tuition	General Fund – State	Total	Tuition % of Total
1983-85	4,931,760	25,406,936	30,338,696	16.25%
1985-87	6,284,889	28,757,972	35,042,861	17.93%
1987-89	7,563,811	33,145,705	40,709,516	18.58%
1989-91	10,671,917	38,519,481	49,191,398	21.69%
1991-93	14,303,947	40,038,509	54,342,456	26.32%
1993-95	18,401,400	37,023,311	55,424,711	33.20%
1995-97	22,446,111	36,782,247	59,228,358	37.90%

(Source: Senior Staff Budget Training, October 1997)

Tuition rates are set by the legislature, however, there have been efforts in the past to have this authority transferred to the governing boards for each college. Evergreen's Board of Trustees has not supported this effort. Over the past four years, our board members have consistently agreed that the legislature should maintain this authority. This is based upon the belief that tuition policy and access to higher education for citizens of the State of Washington are matters of critical public concern and that policies governing access should be set by the highest public policy-making body in the state—the Washington State Legislature (BOT Tuition Policy Statement, policy #6, adopted 1995).

Keeping pace with external changes and working pro-actively to help shape those changes will continue to be a challenge for the college. Currently, we are effective in assigning the right people to participate in working committees outside the college. The college's strong commitment to collaboration, an integral part of our mission, serves us well in working with the numerous policy-setting agencies and legislative study committees.

The advent of performance and accountability measures presents challenges as well. The college is still developing and fine-tuning which performance measures need to be part of our strategic plan and operating budget documents. The measures need to be meaningful and

manageable. Our current information system sometimes limits our ability to track and report these measures. The college is examining the need to replace our student information system, which is the first step in creating more effective reporting systems.

Over the years, our institutional funding patterns have been quite stable. It has always been a priority to first fund the student/faculty ratio, usually at the requested level of twenty to one. The summer program has been expanding substantially and has been successful in providing a growing funding source for computing resources in academics. However, our growth on the margin has not supported the infrastructure and this is becoming more and more of a challenge for the college. And low faculty and exempt salaries continue to be an issue for the college.

In the last legislative session, the state sent a message to the state's colleges and universities that student fees should be used to pay for services outside the academic program. Legislation was passed allowing students to levy a technology fee to pay for computing resources for students. This is a dilemma at Evergreen, as we have been paying attention to the full cost for students to attend college. As tuition has risen over the past six years, we have been making a concerted effort to reduce student fees. Both the lack of a student government and the philosophy of keeping fees to a minimum make this a problematic direction.

These are also system problems, not unique to Evergreen. We continue to seek alternative sources of revenue and to work with external forces to help shape solutions to these issues. We also continually strive to plan and work across the different divisions of the college in order to make and implement decisions that will benefit the college as a whole.

Summary of Recommendations and Findings

- The financial situation of the college is healthy. The institution is well managed and has a dedicated staff.

- The institution is making a transition to deal with the increasing financial flexibility we now have from the state because of locally-held tuition revenue carry-forward budgets from biennium to biennium.

- We recognize the need to set priorities and balance short and long-term needs.

- The issue of whether Evergreen is too costly relative to its sister institutions—the unit cost issue—continues to be monitored. Over the past ten years Evergreen has grown and the cost differentials have decreased.

- The institution is committed to diversifying its funding sources and should continue to explore various opportunities through summer schools, fundraising, grants and contracts, and various auxiliary enterprises.

- The reporting requirements for accountability and performance measures may be a challenge to the college in terms of the adequacy of our current information systems. A new information system should help and improve our capacity to produce management reports.

Exhibit 7-1 — Table #1 Current Funds Revenues

		Evaluation Year (Estimated) 1997/1998		1 Year Prior 1996/1997		2 Years Prior 1995/1996		3 Years Prior 1994/1995	
Source (IPEDS Format)		**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Tuition & Fees		16,524,582	30.89%	14,401,738	29.97%	13,188,657	29.17%	12,519,481	27.88%
Goverment Appropriations									
Federal Total			0.00%		0.00%		0.00%		0.00%
State		20,413,000	38.16%	19,438,806	40.46%	18,475,645	40.86%	19,194,742	42.75%
Local			0.00%		0.00%		0.00%		0.00%
Government Grants & Contracts									
Federal	Unrestricted	144,764	0.27%	159,770	0.33%	137,446	0.30%	197,433	0.44%
	Restricted	3,357,830	6.28%	3,428,122	7.13%	3,194,222	7.06%	3,055,461	6.81%
State	Unrestricted	50,983	0.10%	45,818	0.10%	38,856	0.09%	60,080	0.13%
	Restricted	1,608,698	3.01%	1,560,252	3.25%	1,449,183	3.20%	1,493,355	3.33%
Local	Unrestricted		0.00%	-	0.00%		0.00%	1,758	0.00%
	Restricted		0.00%	8,000	0.02%		0.00%	655	0.00%
Private Gifts,	Unrestricted	13,323	0.02%	24,413	0.05%	23,037	0.05%	27,447	0.06%
Grants, Contracts	Restricted	1,361,219	2.54%	893,716	1.86%	1,029,223	2.28%	1,074,156	2.39%
Endowment Income	Unrestricted	91,318	0.17%	33,779	0.07%	52,675	0.12%	39,156	0.09%
	Restricted		0.00%	-	0.00%		0.00%		0.00%
Sales and Services of Educational Activities		202,520	0.38%	133,234	0.28%	85,057	0.19%	111,406	0.25%
Auxiliary Enterprises		6,762,094	12.64%	6,700,369	13.94%	6,524,349	14.43%	6,299,824	14.03%
Hospitals			0.00%	-	0.00%		0.00%		0.00%
Other Sources		2,969,433	5.55%	1,220,873	2.54%	1,022,375	2.26%	824,199	1.84%
Independent Operations			0.00%	-	0.00%		0.00%		0.00%
Total Current Funds Revenues		**$53,499,764**		**$48,048,890**		**$45,220,725**		**$44,899,153**	

Exhibit 7-2 — Table #2 Current Funds, Expenditures, and Transfers

	Evaluation Year (Estimated) 1997/1998		1 Year Prior 1996/1997		2 Years Prior 1995/1996		3 Years Prior 1994/1995	
Functions (IPEDS Format)	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Educational and General								
Instruction	17,928,161	33.44%	13,970,312	29.70%	13,310,705	30.77%	13,757,398	30.87%
Research	896,200	1.67%	754,115	1.60%	680,172	1.57%	702,689	1.58
Public Service	1,361,217	2.54%	1,352,574	2.88%	1,081,459	2.50%	1,493,921	3.35%
Academic Support (Excluding Libraries)	2,189,211	4.08%	1,866,971	3.97%	1,761,811	4.07%	1,798,233	4.04%
Libraries	3,013,273	5.62%	3,656,896	7.78%	2,548,040	5.89%	2,850,228	6.40%
Student Services	3,987,478	7.44%	2,969,613	6.31%	2,730,333	6.31%	2,557,969	5.74%
Institutional Support	6,966,394	12.99%	6,429,284	13.67%	6,063,231	14.01%	6,720,666	15.08%
Plant Operations & Maintenance	4,309,956	8.04%	4,142,148	8.81%	3,832,815	8.86%	3,774,220	8.47%
Scholarships and Fellowships								
Awards from Unrestricted Funds	900,948	1.68%	826,253	1.76%	534,043	1.23%	682,746	1.53%
Awards from Restricted Funds	4,084,400	7.62%	3,724,450	7.92%	3,601,188	8.32%	3,359,518	7.54%
Educational & General								
Mandatory Transfers	40,241	0.08%	23,787	0.05%	39,899	0.09%	13,236	0.03%
Total Educational & General								
Expenditures & Mandatory Transfers	**45,677,479**	**85.20%**	**39,716,403**	**84.45%**	**36,183,696**	**83.64%**	**37,710,824**	**84.63%**
Auxiliary Enterprises (Including Transfers)	7,932,477	14.80%	7,315,251	15.55%	7,078,996	16.36%	6,848,897	15.37%
Hospitals (Including Transfers)								
Independent Operations (Including Transfers)								
Total Current Funds Expenditures								
and Mandatory Transfers	**$53,609,956**		**$47,031,654**		**$43,262,692**		**$44,559,721**	

Exhibit 7-3 — Table #3 Summary Report of Revenues and Expenditures

	Evaluation Year (Estimated) 1997/1998	1 Year Prior 1996/1997	2 Years Prior 1995/1996	3 Years Prior 1994/1995
Educational and General				
Revenues (Adjusted for S&A Tuition)	$45,444,495	$40,285,458	$37,687,840	$37,634,695
Expenditures	(45,637,238)	(39,692,616)	(36,143,797)	(37,697,588)
Transfers Mandatory	(40,241)	(23,787)	(39,899)	(13,236)
Non-Mandatory	$583,055	$419,746	$469,085	$226,393
Net Excess (Deficit)	**$350,070**	**$988,801**	**$1,973,229**	**$150,264**
Auxiliary Enterprises				
Revenues (Adjusted for S&A Tuition)	$8,055,270	$7,763,432	$7,532,885	$7,264,458
Expenditures	(7,276,697)	(6,686,866)	(6,323,032)	$(6,002,169)
Transfers Mandatory	(655,780)	(628,385)	(755,964)	(846,728)
Non-Mandatory	(83,346)	(864,789)	(708,714)	(88,281)
Net Excess (Deficit)	**$39,447**	**$(416,608)**	**$(254,825)**	**$327,280**
Net Operational Excess (Deficit)	**$389,517**	**$1,144,386**	**$3,436,808**	**$955,088**

Exhibit 7-4 — Table #4 Sources of Financial Aid *

	Evaluation Year (Estimated) 1997/1998		1 Year Prior 1996/1997		2 Years Prior 1995/1996		3 Years Prior 1994/1995	
	$	%	$	%	$	%	$	%
Annual Private contributions	164,180	2.90%	168,087	3.37%	161,421	3.24%	282,120	6.19%
Government State Aid (incl. WS)	2,270,124	40.16%	1,975,489	39.61%	1,679,061	33.66%	1,735,439	38.06%
Federal Aid (Pell, SEOG, WS)	2,818,512	49.86%	2,495,925	50.04%	2,325,602	46.63%	2,186,375	47.94%
Endowment Earnings	91,318	1.62%	33,779	0.68%	52,675	1.06%	39,156	0.86%
Instituitional Unfunded	308,374	5.46%	314,571	6.31%	341,432	6.85%	210,689	4.62%
Total Financial Aid	**$5,652,508**		**$4,987,851**		**$4,560,191**		**$4,453,779**	

* Excludes all loan programs and campus work which is not work study (Federal CWSP).

Exhibit 7-5 — Table #6 Direct Cost by Department or Instructional Area

Department or Instructional Area	Undergraduate Student Credit Hours	Graduate Student Credit Hours	Total Credit Hours	Instructional Cost[1]	Average Cost Per Credit Hour	Average Cost Per FTE[2] Student
1996-97: All Areas[3]	146,489	7,023	153,512	$14,295,886	$93	$4,097
1995-96: All Areas	142,577	6,551	149,128	$13,495,331	$90	$3,985
1994-95: All Areas	138,443	9,001	147,444	$12,785,062	$87	$3,786

[1] Direct instructional costs per state definition

[2] Full-time Equivalent Students calculated per state definition (45 credit hours = 1 annual undergraduate student FTE; 30 credit hours = 1 annual graduate FTE)

[3] The Evergreen State College does not organize or budget according to academic departments

Exhibit 7-6 — Table #7 Operating Gifts and Endowments

	Evaluation Year (Estimated) 1997/1998	1 Year Prior 1996/1997	2 Years Prior 1995/1996	3 Years Prior 1994/1995
Private Contributions				
Annual Operating –				
Restricted	1,361,219	893,716	1,029,223	1,074,156
Unrestricted	13,323	24,413	23,037	27,447
Endowment	100,000	50,000		150,000
Total Contributions	**$1,474,542**	**$968,129**	**$1,052,260**	**$1,251,603**
Endowment Fund Balance				
Permanent	949,240	818,200	781,069	776,593
Term				
Quasi	175,405	175,573	172,648	171,331
Total Endowment Fund Balance	**$1,124,645**	**$993,773**	**$953,717**	**$947,924**
Ratio of Annual Contributions to the Total Educational and General Revenue	3.2%	2.4%	2.8%	3.3%

Exhibit 7-7 — Table #8 Capital Investments

	Actual			Projected		
	Year 1 Amount	Year 2 Amount	Year 3 * Amount	Year 4 Amount	Year 5 Amount	Year 6 Amount
Land						
Beginning Book Value	$ 4,997,812	$4,997,812	$4,997,812	$4,997,812	$ 4,997,812	$ 4,997,812
Additions						
Deductions						
Ending Book Value	$4,997,812	$ 4,997,812	$4,997,812	$4,997,812	$4,997,812	$ 4,997,812
Buildings						
Beginning Book Value	42,372,158	41,720,404	42,659,636	42,703,134	41,366,134	41,533,634
Additions	696,835	2,308,864	1,423,674	50,000	1,555,000	50,000
Deductions	1,348,589	1,369,632	1,380,176	1,387,000	1,387,500	1,392,500
Ending Book Value	$ 41,720,404	$42,659,636	$42,703,134	$41,366,134	$41,533,634	$40,191,134
Furniture and Equipment						
Beginning Book Value	2,718,117	3,554,568	1,950,760	1,924,751	2,806,751	3,569,251
Additions	1,804,368	991,098	516,981	1,425,000	1,483,000	741,500
Deductions	967,917	2,594,906	542,990	543,000	720,500	878,800
Ending Book Value	$3,554,568	$1,950,760	$1,924,751	$ 2,806,751	$3,569,251	$ 3,431,951
Construction in Progress **						
Beginning Book Value	683,743	1,968,228	378,107	39,262	235,000	190,000
Additions	1,734,120	378,107	39,262	235,000	30,000	1,250,000
Deductions	449,724	1,968,228	378,107	39,262	75,000	30,000
Ending Book Value	$1,968,139	$378,107	$39,262	$235,000	$190,000	$1,410,000

Notes for Table #8 Capital Investments

* Most recent fiscal year for which audited financial statements are available

** Major equipment purchases include:

1 Housing wiring project that includes networking, cable TV, and telephone access. Funding is certificates of participation through the Office of the State Treasurer.
2 Student services system computer upgrade. Funding is from institutional reserves.
3 Balance of equipment includes divisional needs funded by institutional reserves and retained earnings.

Building Additions include:

1 Communications Building Fire Sprinklers and HVAC Retrofit funded by state appropriations.
2 Miscellaneous improvements to Housing buildings funded from retained earnings.
3 CRC addition for Health & Counseling Services funded from state appropriations and institutional reserves.

Construction in progress includes the above projects as well as:

1 Seminar Phase II pre-design and design.
2 Communications Building addition. Both funded through state appropriations.

Note that deductions in year 2 include an accounting change. Asset value threshold went from $1,000 to $5,000. Amount of deductions: Buildings = 2,838 Equipment = 1,798,096

Exhibit 7-8 — Debt Service Schedule

Year	Liability	Beginning Balance	Additions	Retired	Ending Balance	Interest Paid
FY95	General Obligation Refunding Bond Issue	$389,841		$148,022	$241,819	$21,084
	Housing Refunding Bond Issue	6,565,000		405,000	6,160,000	250,515
	Student Activities Certificate of Participation	700,000		70,000	630,000	42,718
	Equipment Leases	46,632	169,238	61,544	154,326	5,924
	Total FY95	**$7,701,473**	**$169,238**	**$684,566**	**$7,186,145**	**$320,241**
FY96	General Obligation Refunding Bond Issue	241,819		153,589	88,230	18,429
	Housing Refunding Bond Issue	6,160,000		335,000	5,825,000	320,250
	Student Activities Certificate of Participation	630,000		75,000	555,000	38,437
	Equipment Leases	154,326		30,894	123,432	8,656
	Total FY96	**$ 7,186,145**		**$594,483**	**$6,591,662**	**$385,772**
FY97	General Obligation Refunding Bond Issue	88,230		88,230		11,480
	Housing Refunding Bond Issue	5,825,000		350,000	5,475,000	306,180
	Student Activities Certificate of Participation	555,000		555,000		24,797
	Equipment Leases	123,432		32,742	90,690	6,808
	Total FY97	**$ 6,591,662**		**$1,025,972**	**$5,565,690**	**$349,265**
FY98	Housing Wiring Project (COP)		1,275,000	41,162	1,233,838	11,707
	Housing Refunding Bond Issue	5,475,000		365,000	5,110,000	290,780
	Equipment Leases	90,690		34,702	55,988	4,847
	Total FY98	**$5,565,690**	**$1,275,000**	**$440,864**	**$6,399,826**	**$307,334**
FY99	Housing Wiring Project (COP)	1,233,838	333,000	121,952	1,444,886	60,620
	Housing Refunding Bond Issue	5,110,000		380,000	4,730,000	273,990
	Equipment Leases	55,988		36,780	19,208	2,770
	Total FY99	**$ 6,399,826**	**$333,000**	**$538,732**	**$6,194,094**	**$337,380**
FY2000	Housing Wiring Project (COP)	1,444,886		141,559	1,303,327	62,011
	Housing Refunding Bond Issue	4,730,000		400,000	4,330,000	255,940
	Equipment Leases	19,208		19,208		567
	Total FY2000	**$ 6,194,094**		**$560,767**	**$5,633,327**	**$318,518**

Exhibit 7-9 — Endowment Fund Balance and Interest Income

Account Number	Title	FY95	FY96	FY97
050010	Royalty Lecture Series	$104,175	$103,789	$109,132
050020	Royalties Committee	67,156	68,859	66,441
050100	Graduate Fellowship	211,674	223,876	229,106
050110	Evans Chair Professorship	564,919	557,193	538,987
050120	Judge Carol Fuller Fellowship	-	-	50,107
	Total Fund Balance	**$947,924**	**$953,717**	**$993,773**
050010	Royalty Lecture Series	5,320	4,615	5,342
050020	Royalties Committee	3,390	4,203	3,215
050100	Graduate Fellowship	2,997	12,202	8,730
050110	Evans Chair Professorship	27,449	31,655	16,386
050120	Judge Carol Fuller Fellowship	-	-	107
	Total Interest Income	**$39,156**	**$52,675**	**$33,779**

Exhibit 7-10
List and Description of Financial Management Reports

On a quarterly basis, the Vice President for Finance and Administration presents the Board of Trustees with a management report that outlines the following:

- **Budget Summary for Operations of the State General Fund and Tuition Revenue**
  This summarizes the annual budget, expenditures-to-date including encumbrances, budget balance available, and percentage available by division. It includes the operating accounts funded by state appropriations and tuition revenues

- **Equipment and Reserve Accounts**
  This summarizes the biennial budget, expenditures-to-date including encumbrances and budget balance available by division. It includes divisional one-time activities including equipment purchases. In addition, institutional operating reserves are reported

- **Income and Expenses for Local Dedicated Funds**
  This summarizes activity in special revenue accounts by type of program. It includes revenue and transfers, expenses, and net income with memorandum beginning and month-end cash balances

- **Capital Project Accounts**
  This summarizes the biennial budget, expenditures-to-date including encumbrances, and budget balance available by state appropriation and fund. It includes repairs and improvements funded by the state. (Exhibit Room, Exhibit 7-22: Quarterly Management Reports)