



October 10, 2012

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

Dear Colleagues:

We are all acutely aware of the budget challenges we have weathered over the last four years—state funding has decreased dramatically even while enrollment grew. In short, we are doing more with less. All units continue to reprioritize their use of funding streams to those areas of critical importance.

While these reductions have been significant and difficult to bear, we can all be proud of the way the university has sustained itself through this crisis. At all levels leadership remained steadfast and dedicated to continued quality and our three-fold mission of learning, discovery, and engagement. To the best of our ability we maintained our focus on the student experience, affordability, and access through greater commitments to financial aid and student services. Importantly, students from all campuses, at all levels are involved in the development of the UW's annual budget through the Provost Advisory Committee for Students.

### **State and Federal Funding Outlook**

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I would like to focus this year's budget process on continuing our work, expanding educational opportunity and focusing on the quality of our three-fold mission. The Office of Financial Management is projecting a \$1 billion state budget deficit out the gate this biennium and the risk of state funding reductions to higher education and the UW remains high. Simultaneously, federal budget sequestration could impose serious and immediate reductions on UW federal grants and contracts as well as affect federal support for Washington State programs. Budget hazards aside, we cannot simply wait to see what unfolds. We have dealt with these challenges successfully, albeit not painlessly, for four years. My objective this budget cycle is to recognize our budget fears, but develop shared understanding of our academic unit-level plans. Our aggregate understanding of where we, individually and collectively, want to contribute to the success of the UW will position us to plan and take advantage of strategic opportunities as they unfold.

### **FY 2014 Budget Process: Academic Plans**

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This budget cycle my focus will rest on academic units' needs and aspirations. It is important for us to understand and agree on academic growth plans first, which will inform administrative unit growth requirements. Administrative and central units will also provide an update on their strategic plans and directions.

The Office of Planning and Budgeting (OPB) will send detailed queries and instructions by Friday, October 19<sup>th</sup>. A response is required by Wednesday, November 21<sup>st</sup>. My primary area of inquiry relates to school or college plans to change the level or direction of instructional and research

related activities. For example, we will ask you to project the number of student-credit hours, major enrollments, and degree majors you expect to produce over the next two biennia. You will also be asked to project research award and expenditure activity for the upcoming years and how your current complement of faculty, staff, and space would change to accommodate growth.

The information requests provided by OPB will ask you to respond to these questions both quantitatively and qualitatively. OPB will aggregate responses to show the overall change in the size and scope of the UW that would result from the realization of unit plans. We will share that aggregation with you early winter quarter. Working toward a common understanding of our individual plans will allow us to make decisions that represent the strongest strategic direction for the university over the next few years. As in years past, I will schedule budget conversations to discuss individual plans and the best ways to bring them to fruition or adjust them in light of overall UW aspirations. I expect to hold these conversations from the second half of January through the beginning of March.

As you develop FY14 budget responses, bear in mind that under the principles of Activity Based Budgeting, the vast majority of current and incremental funding sources go directly to units generating those funds—consider that any growth plans in your units will need to be funded by your current and future funding streams. Accordingly, OPB will also ask for tuition rate recommendations, so please consider your tuition recommendations in light of the revenue required to support your plans. During our meetings, we will discuss the financial feasibility of these plans.

### **Planning for Possible Growth and Salary Increases Despite Uncertain External Funding**

Discussing academic plans, possible growth plans, and their feasibility may seem at odds with the current financial landscape at the state and federal levels. While this may seem odd, it is important for us to put our values and aspirations first. I want us to work toward a common understanding of our prospective goals before the start of the state's legislative session and to ensure that our work during session is informed by our aspirations. It is important for me to reiterate that our primary focus with the state is on compensation—the salary freeze must end and we must receive support for salary increases.

If we do not receive direct state support for salary increases the State Legislature must allow us to fund increases locally. Because resources flow directly to the schools and colleges that generate them, your plans must include provisions to self-fund any compensation increases we land on. Decisions on compensation levels will be made at the central level, consistent with our faculty code, and related policies. However, you should expect to fund salary increases, if allowed by the State Legislature, out of current or expected new incremental funds.

Note that any Provost Reinvestment Funds will be invested in required fixed cost increases and compensation increases for administrative and central units that do not directly generate tuition revenue or ICR. I anticipate that after meeting these expenses, any remaining Reinvestment Funds will be extremely limited. That being said, I want to discuss your formal request(s) for Provost Reinvestment Funds. In FY14, I will not fund requests that come in on an ad-hoc basis, as has often been done in the past. In order to consider the full complement of needs and growth aspirations across all units, I must have a full picture of the potential requests at the beginning of the budget process and not as they arise during the fiscal year. Formal instructions to this effect will be included in forthcoming correspondence from OPB.

Thank you in advance for your time and dedication to this process. I am confident that collectively we can continue to not only maintain quality, but to expand and enhance it. The information you provide throughout this process will be critical as we progress beyond the recession and focus on the future.

With warm regards,

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

Ana Mari Cauce  
Provost and Executive Vice President

c: Michael K. Young  
Amy Floit  
James Gregory  
Susan Astley  
Evan Smith  
Adam Sherman  
Michael Kutz