



April 4, 2017

Dear Campus Community,

As we begin spring term, I wanted to update you on the work we are doing related to the 2017-19 biennial budget.

In March 2016, the seven public universities sent various scenarios to the Higher Education Coordinating Commission (HECC) regarding possible budgets. The most optimistic scenario provided about \$940 million for the four-year campuses—an increase of about \$275 million over the 2015-17 budget. This budget represented the true increase in cost and increase of 20% for universities. This scenario was sent to the Governor as a part of the HECC request. The universities decided to convey this aspirational budget scenario to the HECC, in part, because of the possibility that the corporate gross receipts—Measure 97—would pass in November 2016. As we know, Measure 97 failed in the 2016 election.

Shortly after the election, the Governor's recommended budget (GRB) set \$667 million for the Public University Support Fund (PUSF), which is about \$115 million below the amount needed to cover increased costs, including but not limited to the substantially higher PERS assessments, for the seven universities. The GRB also did not fund the Sports Lottery that is used by Western to support graduate student scholarships and student-athletes—these monies are a major source of funding to meet Title IX requirements. The Ways and Means budget framework increased higher education funding as a whole, yet it falls short of the amount needed to cover increased cost. At this stage, it is likely that Western, like all public universities, will be facing a shortfall in PUSF funds. This will require each campus to consider a combination of tuition increases, use of reserves, and budget cuts.

In our case, we presented a budget to the Board of Trustees in January that assumed a 10% increase in tuition and flat enrollment. This model led to a structural deficit of over \$2 million per year. We now have better information on fall 2017 admissions and expected enrollment. As of March 1, WOU's admitted first-time freshman are 20% below the same point as last year. We expect some increase in the yield from this smaller number; however, it is increasingly likely that we will see a decrease in new freshmen from Oregon. For this reason, we have modeled our budget with a 10% increase in tuition and a 5% decrease in enrollment. These assumptions lead to a deficit of close to \$3 million per year.

We will continue to work in the Capitol to increase higher education PUSF funding, but at this time, we must consider the very real possibility of budget deficits. Later this spring, I will be directing all budget units to submit plans that cut 5 and 10 percent of base funding. The cuts will need to be conceived in light of the newly approved Strategic Plan and will not reduce our ability to enroll students in classes they need to graduate. However, greater care in matching our course scheduling to account for fewer students and changing student demand will, in all

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likelihood, lead to fewer sections of some courses and some reductions in the number and/or variety of some course electives.

The budget plans will be vetted by the respective cabinet executive for review. Following this step, the budget proposals will be shared with the newly created University Budget Committee (UBC) for review and recommendation. I will consider the UBC recommendations as the final budget for 2017-19 is developed. The final budget will also be influenced by the outcome of the legislative process and will play an instrumental role in the nature of the final budget that will be presented to the Board of Trustees for approval.

I understand how daunting this news is, and I deeply appreciate your continued commitment to helping our students succeed; but in this environment of decreasing resources, we must begin planning for these expected budget shortfalls. Our plans will include a combination of tuition increases, use of one-time reserves in 2017-18, and program cuts. By 2018-19, we must develop a budget that is structurally balanced and that does not rely on the continued use of one-time reserves to handle budgetary shortfalls. By utilizing our Strategic Plan and the process I have outlined, I am confident that Western will make budget decisions that support our effort to achieve our mission and strategic initiatives that are described in our Strategic Plan.

Sincerely,

A handwritten signature in blue ink that reads "Rex Fuller".

Rex Fuller, President