

***Gallaudet FY 2008 Budget For Board Approval
February 2008***

For the past decade, Gallaudet University has employed a participatory process for budget development that involves a representative University Budget Committee (UBC) presenting a recommended budget for the upcoming year, following approval by the President, to the Board of Trustees at its annual May meeting. However, because of uncertainties with respect to critical aspects of the FY 2008 budget, the University followed a different process for that fiscal year. As it neared the time when it would have to present a proposed budget for FY 2008 to the Board in May 2007, the UBC had to take into account the following issues:

- The University was in the process of reorganizing and recovering from the previous year's protest, and it was believed that there would be associated costs.
- The negative publicity surrounding the protest and the actions taken by MSCHE were having an impact on enrollment that was reducing revenues from tuition.
- Flat funding at the 2006 level in the final FY 2007 appropriation.
- The federal budget for FY 2008 also included flat funding at the FY 2006 level.
- The need for funding to begin the work of stabilizing the MSSD site, with no assurance that Congress would appropriate funds for the project.

Given all of these uncertainties, the UBC decided to take a different approach to budget development and Board approval for the FY 2008 budget and the framework for an FY 2009 federal budget request to the US Department of Education. At the May 2007 Board meeting, the UBC submitted the following recommendations to the Board Committee on Financial and Institutional Affairs (FIA), following approval by President Davila:

- Delay approval of a detailed budget for FY 2008 until the October 2007 Board meeting.
- Give the President discretion to award a general pay increase in a range between 0 and 3%, depending upon the availability of funding.
- Delay Board action on tuition and fee schedules for 2008-2009 until the October 2007 meeting.
- The budget proposal for FY 2009 to the Department of Education should focus on an expected inflation rate of 3% for operations and on additional funding for the MSSD site stabilization and renovation project.

The FIA Committee endorsed these recommendations and reported them to the full Board.

At the time of the October 2007 Board meeting, it was clear that enrollment had declined and that tuition income would be reduced, but there was no further progress on the federal appropriation, suggesting the possibility of flat funding for a second year, without direct support for the MSSD site project. Accordingly, the President, following advice from the UBC, presented the following six step plan for budget reconciliation in 2008 to the FIA Committee.

Step #1: Cap total payroll expenses for FY 2008 at current levels. Total payroll as well as total staffing has been creeping up in recent years, and we must anticipate flat funding, at best, through FY 2009. Total payroll expenses in FY 2007 are expected to be approximately \$107 million, and I have instructed administrators that we can spend no more than that for payroll in FY 2008.

Step #2: Begin planning for long term reductions in the total number of employees, with an initial reduction during FY 2008 of 3% of regular status employees (not positions but actual employees). This step will result in 30 fewer employees on board at the end of FY 2008 than we have now. Because teaching and learning are job #1 at the University and Clerc Center, reductions in numbers of staff employees should occur before reductions in faculty or teachers are considered.

Step #3: Do not award a general pay increase without a corresponding increase in the federal appropriation. We requested an increase for this purpose, and it will be used for that if we receive it, but there will be no across the board increase in its absence. There is no way to predict when we will know the final appropriation for FY 2008, but it will probably be well after the beginning of the fiscal year on October 1. Therefore, there will be no general pay increase on that date.

Step #4: Fund the current merit increase system but closely monitor adherence to guidelines and policies by administrators, and use the savings from the staffing reduction to fund it. In particular, I have instructed administrators that merit increases for all categories of employees must average no more than 2%.

Step #5: Add \$3 million to the current utilities budget to cover unbudgeted increases in costs since FY 2003. Between FY 2003 and 2006, the total cost of providing heat, air conditioning, electricity, and water to the campus has increased from \$3.9 million to \$6.9 million, and it is expected to increase further by the end of this fiscal year. These additional costs have been absorbed within our general budget, but we must now provide additional funding so that these accounts can be balanced.

Step #6: Given the steps outlined above, the President, Provost, and Vice President will prepare budgets for their divisions and for the Clerc Center for FY 2008 for review by the Board at its October meeting. The finance and budget offices will be providing support for this process, and I expect all administrators to work in a spirit of cooperation as these budgets are developed.

At the October meeting, the Board reviewed this plan and updated budget projections and also approved an increase of 3% in tuition and room fees for Academic Year 2008-2009.

In late December 2007, the University received the very welcome news that the omnibus spending bill approved by President Bush contained \$115.4 million dollars for Gallaudet

in FY 2008, an increase of \$8.4 million but that an across-the-board recession was in effect that would reduce the final increase to \$6.4 million--still a very good result. Following a proportional distribution of the increase that the President had proposed to Senate Appropriations Committee staff, the following additions were made to existing budgets:

- A 2% general pay increase for eligible employees, effective January 7, 2008--\$1.4 million.
- Initial funding for the MSSD site stabilization project--\$4 million.
- The remaining \$1 million to support inflation in energy costs and programmatic responses to MSCHE accreditation issues.

Following these distributions, the Gallaudet budget as of February 1, 2008 appears in the tables that follow this narrative. It is presented for Board consideration and final approval. The funding for the MSSD project appears as part of the total in the line marked "capital improvements/additions to reserves."

Finally, we plan to return to our normal budget process for the FY 2009 cycle and will present a budget for Board approval at the May 2008 meeting, along with a plan for developing the FY 2010 federal budget request.

Gallaudet University FY 2008 Operating Budget 2/1/08
(Dollars in thousands)

Income	FY 2007 Actual	FY 2008 Budget
Tuition and Fees	\$19,300	\$18,300
Less Scholarship Aid	(\$4,400)	(\$4,600)
Federal Appropriation	\$107,000	\$113,400
Government Grants and Contracts	\$5,400	\$4,000
Donations	\$6,200	\$1,500
Operating Investment Income	\$6,200	\$8,000
Other Sources	\$2,200	\$2,200
Auxiliary Enterprises	\$19,400	\$19,000
Total Revenues	\$161,300	\$161,800
Distribution of Income	FY 2007	FY 2008
Academic Affairs	\$62,800	\$63,600
Laurent Clerc Center	\$21,800	\$23,000
Provost Total	\$84,600	\$86,600
Administration and Finance	\$39,300	\$40,700
President's Office	\$7,800	\$6,500
Auxiliary Enterprises	\$12,500	\$12,000
Designated Funds	\$7,700	\$5,000
Capital Improvements/ Additions to Reserves	\$9,400	\$11,000
Total Expenses	\$161,300	\$161,800