



**Fiscal Year 2015  
Budget Recommendations**

**As of May 9, 2014**

*Contributions from*  
**University Planning and Budget Committee,  
Budget Oversight Group, and Administration &  
Finance**

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*May 9, 2014*

*MEMORANDUM*

*TO: Gallaudet University Board of Trustees*

*FROM: T. Alan Hurwitz, President*

*SUBJECT: Fiscal Year 2015 Budget Recommendations*

*The FY 2015 budget process was abbreviated this year for a variety of reasons:*

- *Effects felt from the Voluntary Retirement Incentive Program (VRIP),*
- *New team tasked with formulating the budget, and*
- *Evolving membership for the University Planning and Budget Committee (UPBC).*

*Due to all of these factors, the new UPBC was only able to make recommendations to fund programs for one year (FY 2015). Attached is the Fiscal Year 2015 Budget proposal.*

*The UPBC and Budget Oversight Group (BOG) recommend an FY 2015 budget of \$172.6 million, including a capital budget of \$12.7 million. This budget reflects a \$6 million or four percent increase compared to the FY 2014 operating budget.*

*T. Alan Hurwitz  
President*

*ATTACHMENT*

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## Gallaudet University Planning and Budget Committee (UPBC) Membership

**The FY 2015 proposed budget recommendations reflect contributions made by UPBC during spring 2014**

### *Gallaudet University Planning and Budget Committee (UPBC)*

#### *UPBC Co-Chairs*

Reed Gershwind, Assistant Professor, Business Department, Faculty Fellow, Academic Affairs Budget Director  
Nicole Sutcliffe, Executive Director, Administration and Operations, Clerc Center

Isaac Agboola, Interim Dean, SEBHS

Kojo Amissah, Career Consultant, Career Center; Chair, Gallaudet Staff Council

Kathryn Baldrige, Chair, Associate Professor/Faculty Athletic Liaison; Vice Chair, Faculty Senate

Meloyde Batten-Mickens, Executive Director, Facilities

Albert Benedict, Dean, Student Affairs and Academic Support

Jean Cibuzar, Executive Director, Finance

Carol Erting, Associate Provost for Research, Dean, Graduate School, Continuing Studies, and International Affairs

Hollie Fallstone, Human Resources Coordinator, Clerc Center; Co-Chair, Clerc Center Employee

Relations Council

Genie Gertz, Dean, Arts and Sciences

William Hughes, Assistant Treasurer, Office of the Vice President, Administration & Finance

Patricia Hulsebosch, Associate Provost, Planning/Academic Quality/Institutional Research,  
Professor

Susan Jacobs, Executive Director, Planning, Development, and Dissemination, Clerc Center

Mary Keane, Director, Campus Activities & Commuter Programs; Vice Chair, Gallaudet Staff Council

Susan King, Interim Associate Dean, Graduate Admissions and Center for Continuing Studies,  
Graduate School

Earl Parks, Executive Director, Gallaudet Technology Services

Khadijat Rashid, Professor, Business Department; Chair, Faculty Senate

Fred Weiner, Assistant Vice President for Administration, Office of the Vice President, Administration & Finance

Danielle Yearout, Executive Director, Development Operations, Development Office

#### *Additional support provided by:*

Monika Wells, Program and Budget Analyst, Office of the President

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## INTRODUCTION

The University Planning and Budget Committee (UPBC) recommends to the President a fiscal year FY 2015 operating budget of \$172.6 million, a 4 percent increase compared to the FY 2014 Board of Trustees approved budget. The table below summarizes the proposed FY 2015 operating budget—

OPERATING BUDGET BY SOURCE OF FUNDS (dollars in thousands)						
Source of Revenue	FY 2015 Proposed Budget	% of Total	FY 2014 Budget	% of Total		
Federal Appropriations – Operations	\$118,000	68%	\$111,393	67%		
Tuition and Fees	26,456		24,749			
Less: Scholarship Aid	(8,995)		(7,970)			
Net Tuition and Fees	17,461	10%	16,779	10%		
Grants and Contracts	4,000	2%	5,600	3%		
Investment Income – Operations	7,376	4%	7,150	4%		
Auxiliary Enterprises	21,887	13%	21,361	13%		
Contributions	3,000	2%	3,000	2%		
Other	864	1%	1,302	1%		
Total	\$172,588		\$166,585			
OPERATING BUDGET BY NATURAL EXPENSE CATEGORIES (dollars in thousands)						
Natural Expense Category	FY 2015 Proposed Position Allocation	FY 2015 Proposed Budget	% of Total	FY 2014 Position Allocation	FY 2014 Budget	% of Total
Payroll (includes both centralized payroll and non-centralized payroll)	930	\$107,861	62%	930	\$102,627	62%
Utilities		\$6,300	4%		\$5,800	3%
Depreciation		\$12,700	7%		\$12,300	7%
Interest on Bonds		\$2,064	1%		\$2,064	1%
Auxiliary Service Contracts		\$9,483	5%		\$9,390	6%
Other Professional Fees and Contracts		\$8,426	5%		\$9,159	5%
Consultants and Advisors		\$3,445	2%		\$4,842	3%
General Office Expenses		\$6,940	4%		\$7,391	4%
Furniture and Equipment		\$1,514	1%		\$1,570	1%
Travel and Transportation		\$1,522	1%		\$1,982	1%
Auxiliary Cost of Goods		\$1,446	1%		\$1,325	1%
External Access Services		\$1,248	1%		\$913	1%
Special Projects		\$5,723	3%		\$3,071	2%
Other non-payroll		\$1,616	1%		\$2,151	1%
Contingency		\$2,300	1%		\$2,000	1%
Total		930	\$172,588			930

Over the past three years, Gallaudet University has experienced challenges with cuts to the federal appropriation and/or unknown appropriation amounts well into the fiscal year. The University has practiced prudent financial management as demonstrated by recent years' positive net operating results and has focused efforts to increase revenue and decrease expenses by—

- Prioritizing both academic and non-academic programs resulting in elimination and closure of the less viable programs, and in some cases enhancement of existing programs;
- Designing and offering new programs to attract new students, and
- Investing in programs that could be expanded to serve the community and diversify revenue such as the Hearing and Speech Center, Community Interpreting, and the redevelopment of 6<sup>th</sup> Street.

Recognizing the federal landscape and current economy, the University took actions in FY 2014, which carry through to FY 2015 planning, to identify strategies to—

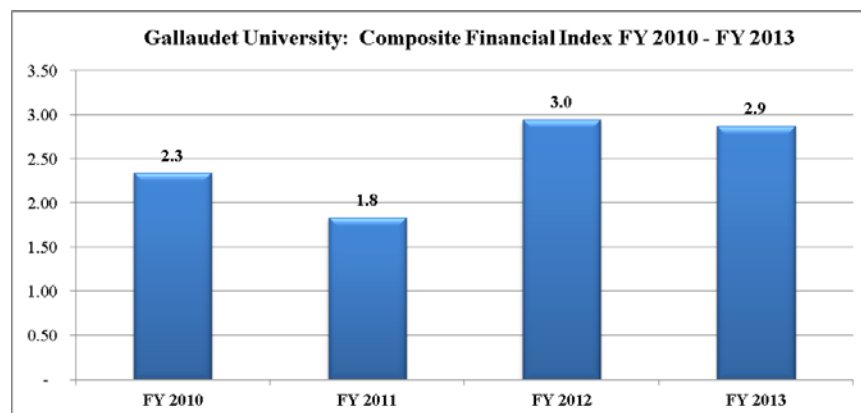
- assure a balanced budget,
- restore the budget for a contingency fund/operating surplus,
- position the University to continue moving forward on the Gallaudet Strategic Plan (GSP) and the Clerc Center Strategic Plan (CCSP), and
- preserve the University’s uniquely knowledgeable and skilled workforce needed to carry out its mission to the extent possible.

The University’s approach to budgeting continues to evolve with a focus on integrating planning, budgeting, and assessment. Using a thoughtful and rational process of self-examination and planning will enable the University to meet its purposes while supporting the opportunity for change and renewal.

The objective of the FY 2015 Gallaudet budget proposal is to recommend a budget that provides for—

- Strategically planning for operating results that, over time, will yield a Net Operating Revenues Ratio within the range of 2 to 4 percent,
- Advancing the GSP and the CCSP,
- Shifting resources from programs and areas of lower priority to those with higher priority, and investing in transformation of the institution,
- Optimizing net tuition by maintaining a competitive pricing strategy (tuition rate and discount rate),
- Providing funds for efforts that will diversify revenue,
- Allowing for sufficient flexibility to allow for unforeseen expenses.

One tool, considered a best practice in higher education, that is helpful for boards and senior administrators to understand the financial position of their institutions in the marketplace, and to assess the affordability of a strategic plan, is a unique financial metric, the Composite Financial Index (CFI). The Composite Financial Index (CFI) is a combination of four financial metrics that measures the overall financial health of the Institution. It was developed by BearingPoint, Inc., KPMG, and Prager, Sealy & Co. in their publication “Ratio Analysis in Higher Education.” The CFI focuses on the evaluation of an institution’s use of financial resources to achieve its mission. CFI is quantified on a progressive scale of one to ten, with one indicating the need to assess the viability to survive and ten indicating strong financial indicators. Based on reviewing Gallaudet’s performance over the past few fiscal years, as shown in the two tables below, Gallaudet’s CFI falls in the range where the advice from “Ratio Analysis in Higher Education” is to direct resources toward becoming a stronger institution and moving to the next level. For institutions with long-term debt, such as Gallaudet, a target CFI would be 3.0-4.0.



### CFI SCORING SCALE

-4	-3	-2	-1	0	1	2	3	4	5	6	7	8	9	10
<i>Consider whether financial exigency is appropriate</i>														
	<i>With likely large liquidity and debt compliance issues, consider structured programs to conserve cash</i>													
		<i>Assess debt and Department of Education compliance and remediation issues</i>												
			<i>Consider substantive programmatic adjustments</i>											
					<i>Re-engineer the institution</i>									
						<i>Direct institutional resources to allow transformation</i>								
								<i>Focus resources to compete in future state</i>						
										<i>Allow experimentation with new initiatives</i>				
											<i>Deploy resources to achieve a robust mission</i>			

*Source: Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, 2010, Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC.*

In the President's 2014 State of the University address, Dr. Hurwitz again encouraged innovation and creative thinking as the University looks forward to Gallaudet's future and re-envision its campus and programs. He directed the entire community to use every opportunity to think about transformation to ensure the long term viability of Gallaudet University in the changing landscape of higher education.

This period of renewal and reinvention is an exciting time, yet it presents the challenge of directing resources appropriately to take Gallaudet into the future. Costs for goods and services have continued to increase, while Gallaudet's revenue has remained flat or faced cuts due to the federal appropriation. The University must, therefore, look at every opportunity to reserve resources and redirect them towards transformative efforts.

FY 2015 will be a year of assessment and an opportunity to transform. The University will be welcoming a new Provost and a new Vice President to oversee the Development Office. In addition, the Voluntary Retirement Incentive Program (VRIP) resulted in sixty-six senior employees retiring in December 2013. This reality provides the University with a unique opportunity to review organizational structures, programs and needs and allow for appropriate reallocation of resources to programs that will lead to increased enrollment in high-interest programs or generate revenue in other critical areas of the institution.

## **Revenue Budget**

Gallaudet's operating revenues are comprised of the federal appropriation, net tuition and fees, grants and contracts, investment income for operations, auxiliary enterprises, contributions and miscellaneous activities.

As a small institution, Gallaudet's budget is somewhat more sensitive to what would be considered minor variations at a larger institution. Overall, the University is seeing more pressure on its operating revenues due to—

- The heightened attention to federal spending resulting in the forecast of flat or reduced federal funding,
- A reduction in federal grant funding, and
- The trend towards a decline in net tuition revenue and enrollment across higher education.

## ***Federal Appropriation and Grant Funding***

In their 2014 Higher Education Sector Outlook,<sup>1</sup> Standard and Poor's predicted that federal government spending would decrease by 1.1%. While Gallaudet's federal appropriation was restored in FY 2014 to the pre-sequestration limits, and the United States President's FY 2015 proposed budget does not include a cut to Gallaudet's appropriation, government spending cuts provide an added piece of uncertainty concerning Gallaudet's financial health in the future.

Federal research dollars are also expected to remain flat at best over the next year, which may cause some a few uncertainties related to some of Gallaudet's research programs in the future. There have also been some discussions on performance based funding for federal financial aid programs authorized under Title IV of the Higher Education Act of 1965, which, if enacted, could provide some added pressure on student outcomes and performance.

Standard and Poor's indicated that there is a large risk that even if spending is not cut, the payments may not be timely, which will impact Gallaudet's cash flow and increases the need for Gallaudet to improve its revenue diversity in FY 2015.

## ***Net Tuition Revenue***

Across the higher education industry, colleges and universities are facing declining or flat enrollments, along with increased pressure on college affordability in terms of tuition pricing and the tuition discount rate. Gallaudet's own experiences echo that of the overall industry. In Moody's 2014 Outlook on U.S. Higher Education and Not-for-Profits<sup>2</sup>, Moody's stated that increases in net tuition revenue were expected to remain weak in 2014, with almost half of Moody's rated universities anticipating total enrollment declines in 2014. From a budget perspective, Gallaudet is cautiously optimistic on enrollment, but understands that overall enrollment trends do present a challenge for the University entering into the FY 2015 proposed budget cycle.

From a demographic perspective, overall high school graduates are expected to be at a low in 2014, with levels not increasing until 2016. Fewer high school graduates mean increased competition for academically strong students, which will also put pressure on institutions to provide the most generous financial aid package possible.

For both the industry and Gallaudet, flat net tuition revenue calls for an increased focus on revenue diversity.

## ***Need for Revenue Diversity***

The three bulleted points above indicate that a strategic priority for Gallaudet entering into the FY 2015 budget cycle must be to improve revenue diversity. From an industry perspective, this is consistent with what Moody's and Standard and Poor's are calling for. Moody's stated that strategic prioritization and creative management were deemed necessary to ensure long-term sustainability, while Standard and Poor's indicated that the underlying driver for positive ratings for colleges would be their ability to successfully contain costs and diversify revenue.

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<sup>1</sup> Standard and Poor's Rating Services, "Many Factors Burden the U.S. Higher Education Sector in 2014," <http://www.standardandpoors.com/highereducation>, 6 February 2014.

<sup>2</sup> Moody's Investors Service, "2014 Outlook – US Higher Education, Not-for-Profits and Independent Schools," [https://www.moodyys.com/research/Moodyys-Outlook-for-US-higher-education-sector-remains-negative-for--PR\\_287582](https://www.moodyys.com/research/Moodyys-Outlook-for-US-higher-education-sector-remains-negative-for--PR_287582), 25 November 2013.

In addition to the two initiatives recommended below, Gallaudet's Kellogg Conference Hotel management responded to the sequestration related reduction in federal and District government business by shifting to more corporate, union, and other association clients, which helped the University to realize that it has potential to increase its capacity and improve operating margins. Continued investment in building and interior improvements for the conference center is intended to provide the facilities required to accommodate a larger scale conferences and events.

### **Revenue Recommendations**

*The UPBC recommends establishing the operating budget for FY 2015 at \$172.6 million. This budget returns the University to pre-sequestration funding levels but allows for some across the board cuts by the federal government. Per the Board of Trustees' and the administration's direction, the operating budget was prepared to yield an operating surplus. The planned surplus for FY 2015 is \$300 thousand more than in FY 2014 and is recommended as \$2.3 million or 1.3 percent.*

*The UPBC recommends that two critical initiatives be funded as a priority for the institution to increase revenue in non-tuition areas.*

- *The 6<sup>th</sup> Street Development project includes a planned ground lease and development of the 6th Street property which will provide a great deal of revenue diversification for Gallaudet, and based on the nature of this project, the revenue will be both long-term and predictable. This will also help to mitigate any cash flow concerns related to the federal appropriation.*
- *ASL Central! is designed to leverage Gallaudet as the center for resources and research on American Sign Language. The goal of the center is to raise the profile of Gallaudet, bringing name recognition to potential students who may not have otherwise known about Gallaudet University.*

*The UPBC supports the directive from the President to re-envision Gallaudet and position the University for the future. As a result of a systematic reduction in headcount, University faculty and staff have been operating with fewer personnel and an increased work load. Every attempt should be made to focus Gallaudet's efforts on its areas of expertise and marketability and reduce its scope to manageable levels. Positions and funds saved through this process should be used to:*

- *Fund and staff new initiatives aligned with Gallaudet's future,*
- *Sufficiently staff remaining programs (following benchmarks at similarly sized institutions and considering the unique needs of Gallaudet's student population),*
- *Support annual pay raises for employees, and*
- *Fund institutional cost increases year over year.*

### **Expense Budget**

Given the allowance for a possible cut to the federal appropriation and other related revenue decreases, along with an increase in utility cost, and an increase to the planned contingency, the UPBC is proposing an expense budget that allows the University leadership time to reassess and reinvent. The UPBC developed and implemented a budget formulation process that was designed to provide funding to division initiatives for one year (FY 2015). Division budgets were slated to be funded at FY 2014 levels and division leaders could request funding for specific unfunded initiatives through an open call for proposals.

Requests were evaluated by the UPBC using the following criteria:

- Legally required expense (e.g. ADA compliance, life necessity, accreditation, etc.),
- Centrality to mission and relationship to Gallaudet Strategic Plan and Clerc Center Strategic Plan goals,
- Innovative deployment of resources that have the potential to increase revenue or enrollment,
- Maintenance or enhancement of competitiveness in recruiting and retaining students, faculty, and staff,
- Preservation or enhancement of the quality or safety of the educational experience for students, and
- Fiscal feasibility.

### **Expense Recommendations:**

*The UPBC recommends Gallaudet's operating expense budget for FY 2015 be established at \$172.6 million, including a contingency fund/planned surplus of \$2.3 million.*

*This operating budget includes UPBC's recommendations to—*

- *Increase the contingency/planned surplus by \$300 thousand,*
- *Monitor the centralized payroll through careful consideration of filling each vacated position, and ensuring the University's head count does not exceed the 930 authorized positions,*
- *Fund depreciation at \$12.7 million, an increase of \$400 thousand,*
- *Recognize the vital role of employees in achieving the University's mission by acknowledging their continued commitment and contributions, through an increase to their base pay, and*
- *Remaining funds totaling \$630 thousand be allocated to priorities as established by UPBC and detailed in Appendix C.*

*UPBC recommends that \$2 million be reserved for salary treatment for employees and that the President and division leaders (Budget Oversight Group) conduct a more thorough assessment of salaries. This amount has been included in the payroll budget for FY 2015.*

- *Priority should be given to addressing categories of employees who may be behind their peer groups at other institutions, or significantly behind their peers at Gallaudet. The study should consider the impact of VRIP on average salaries.*
- *With remaining funds, the Committee recommends tiered awards for staff based on position level with lower level staff receiving a higher percentage*
- *The Committee recommends that Gallaudet return to a merit based system for pay increases to ensure those employees who have done exemplary work in the fiscal year are rewarded appropriately. Recognizing this requires time and advance notice, the UPBC recommends that the University leadership establish a work group to put the mechanisms in place to move this effort forward for implementation in FY 2016 or FY 2017.*

*The UPBC recommends funding of initiatives for one year (FY 2015).*

- *The UPBC noted that the University has the potential to start FY 2015 over the approved head count, significantly impacting the funds available for divisions/initiatives. Positions requested through the call for proposals were, therefore, not recommended for approval by the UPBC, but are recommended for priority consideration through the President's directive to re-envision Gallaudet and repurpose positions to higher priority programs.*
- *The UPBC recommends, as stated above in Revenue Recommendations, that the two initiatives with high revenue potential be funded: ASL Central! and the 6th Street Development Project. It should be noted that the anticipated total cost of these two initiatives exceeds available funds and that every effort should be made to fund these initiatives with external funds through Development Office efforts, grants, or other sources.*
- *The UPBC recommends that requests that were rated as legally required initiatives or expenses be reviewed by the Budget Oversight Group and funded as appropriate. The list of requests is detailed in Appendix C. Recognizing that funds may become available throughout the year through savings in centralized payroll, higher than expected enrollment, or cost savings on utilities, this list of requests should be funded in priority order as funds become available.*
- *The UPBC also recommends as part of the efforts to re-envision Gallaudet and invest in its transformation that the Budget Oversight Group review the list of requests that were not able to be funded. A significant number of requests could not be funded. Funds must be made available from lower priority areas to ensure the funded work will move the University into the future.*

### **Proposed FY 2015 Capital Budget**

Gallaudet expects to have three major sources of funding available for capital improvements in FY 2015:

1. An amount equal to the projected depreciation expense for FY 2015, \$12.7 million, to provide for annual reinvestment in the physical plant.

2. The accumulated federal appropriations, \$28.6 million as of September 30, 2013, intended for the construction of a new residence hall for the Clerc Center. Of this sum, approximately \$14 million is expected to be expended in FY 2015.
3. The remaining balance of the tax-exempt bond proceeds, between \$1.4 and \$2.4 million, the use of which is yet to be identified.

## FY 2015 PROPOSED BUDGET FORMULATION PROCESS

The UPBC was established in the fall 2011. The UPBC comprises faculty, staff, and administrators from across the institution. In January 2014, following the retirement of the University Budget Director, the UPBC was reconfigured to include representatives from faculty and staff governance bodies, and new chairs appointed. The Committee led an abbreviated budget formulation process for FY 2015. Division budgets were slated to be funded at FY 2014 amounts and Division leaders could submit requests for additional funds for critical unfunded initiatives.

Requests were evaluated by the UPBC using the following criteria:

- Legally required expense (e.g. ADA compliance, life necessity, accreditation, etc.),
- Centrality to mission and relationship to Gallaudet Strategic Plan and Clerc Center Strategic Plan goals,
- Preservation or enhancement of the quality or safety of the educational experience for students,
- Maintenance or enhancement of competitiveness in recruiting and retaining students, faculty, and staff,
- Innovative deployment of resources that have the potential to increase revenue or enrollment, and
- Fiscal feasibility.

According to President Hurwitz, the UPBC is *“responsible for facilitating the University's annual budget development process, including proposing the annual operating and capital budgets, and making recommendations for federal appropriation, salary treatment, and tuition.”*

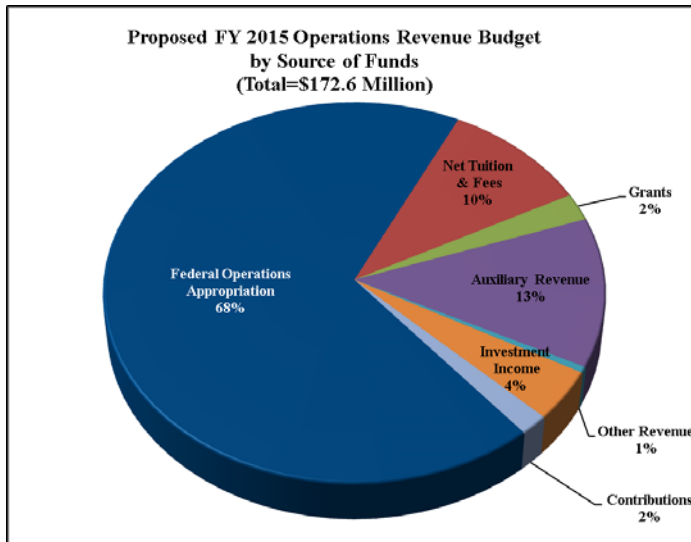
Below is a list of key FY 2015 proposed budget formulation activities.

Calendar of Budget-related Events	
<b>October 1, 2013</b>	Fiscal Year FY 2014 begins.
<b>December 2013</b>	University Budget Director announces retirement
<b>January 2014</b>	New UPBC co-chairs selected Reconfiguration to include representatives from governance groups discussed with President
<b>February 2014</b>	New UPBC co-chairs and reconfiguration announced to the community Cabinet approves revised budget process for FY 2015 Revised budget process presented to University Council Revenue forecasts developed
<b>March 2014</b>	Reconfigured UPBC holds first meeting to review charge and proposed process Memos sent to division leaders detailing process for requesting additional funding for FY 2015
<b>April 2014</b>	UPBC members independently reviewed, rated, and ranked requests against established criteria and met to review and discuss rating results and make recommendations on priorities for funding Revenue forecasts finalized
<b>May 2014</b>	UPBC met to review revenue and expense forecasts, recommendations for improvement based on discussions to date and proposals submitted, and to make recommendations on salary treatment and tuition cost (FY 2016) Budget proposal reviewed by the Chief Financial Officer and Budget Oversight Group President's Office submits FY 2015 proposed budget proposal to Board of Trustees President's Office submits FY 2016 budget request to U.S. Department of Education.

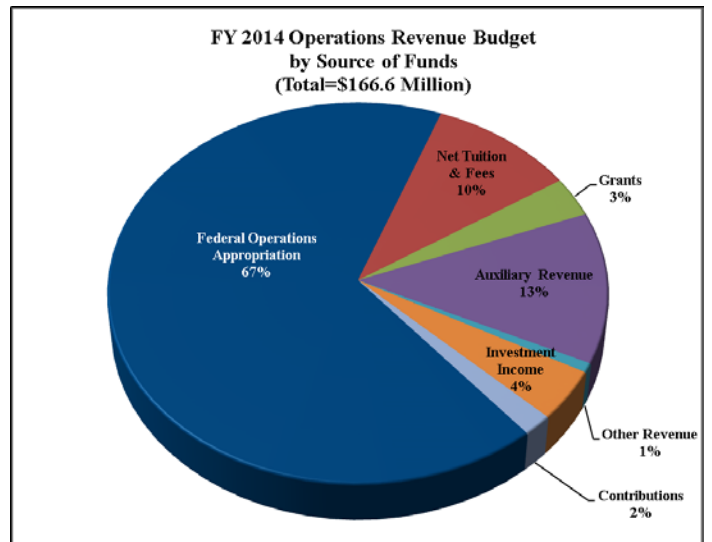


# GALLAUDET UNIVERSITY PROPOSED FY 2015 AND FY 2014 REVENUE AND EXPENSE BUDGET COMPARISON

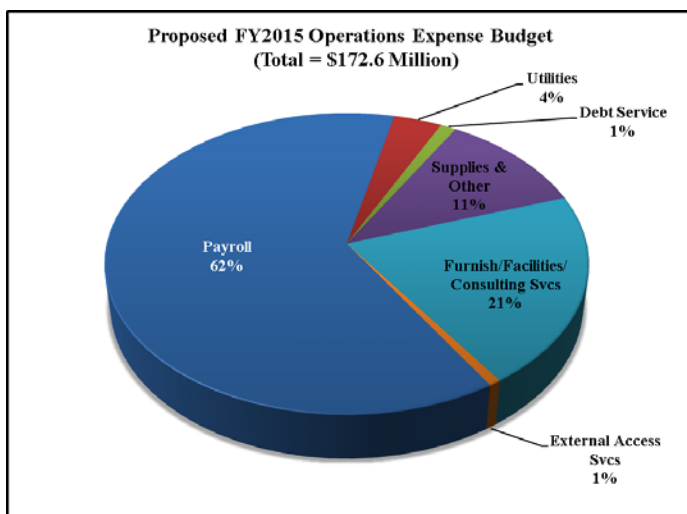
**PROPOSED FY 2015 OPERATIONS REVENUE BUDGET**



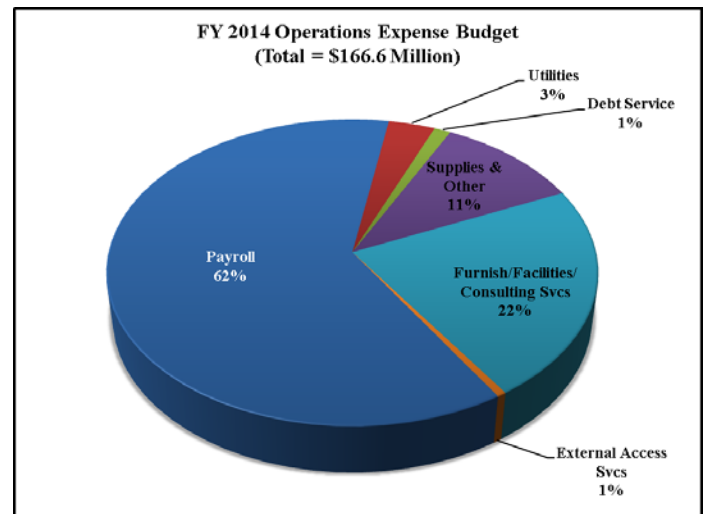
**FY 2014 OPERATIONS REVENUE BUDGET**



**PROPOSED FY 2015 OPERATIONS EXPENSE BUDGET**



**FY 2014 OPERATIONS EXPENSE BUDGET**



## PROPOSED FY 2015 OPERATIONS REVENUE BUDGET

The table below provides a breakdown of the recommended operating revenue budget by source of funds. A description of the basis for forecasting each component follows.

OPERATING BUDGET BY SOURCE OF FUNDS (dollars in thousands)				
Source of Revenue	FY 2015 Proposed Budget	% of Total	FY 2014 Budget	% of Total
Federal Appropriations – Operations	\$118,000	68%	\$111,393	67%
Tuition and Fees	26,456		24,749	
Less: Scholarship Aid	(8,995)		(7,970)	
Net Tuition and Fees	17,461	10%	16,779	10%
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Auxiliary Enterprises	21,887	13%	21,361	13%
Contributions	3,000	2%	3,000	2%
Other	864	1%	1,302	1%
<b>Total</b>	<b>\$172,588</b>		<b>\$166,585</b>	

### *Federal appropriation*

#### *FY 2015 Projected Federal Appropriation with Recent History (dollars in thousands)*

	Proposed FY 2015	Budgeted FY 2014	Actual FY 2013	Actual FY 2012
Federal appropriation for operations	\$118,000	\$111,393	\$111,393	\$117,541

Since FY 2009 Gallaudet's appropriation has been at or slightly below \$118 million. However, on March 1, 2013, amidst great public attention to reduce the federal deficit, the *Budget Control Act of 2011* was executed resulting in sequestration that translated into a 5.23 percent (\$6.1 million) appropriation cut in FY 2013. Gallaudet is still operating under the sequestration; however, in FY 2014, Congress passed legislation that suspended the sequestration for FYs 2014 and 2015 and funding was restored, and increased, to \$119 million. The University built its budget at the \$118 million level for FY 2015 with the conservative expectation that an across the board rescission is still possible. As in years past, Gallaudet uses its operating appropriation to offset Education of the Deaf Act allowable expenses that support the institution's primary mission.

#### *History of Federal Appropriated Funds (dollars in thousands)*

Fiscal Year	Total	Operations	Construction
2014	\$119,000	\$119,000	\$0
2013	\$118,951	\$111,393	\$7,558
2012	\$125,516	\$117,541	\$7,975
2011	\$121,764	\$117,764	\$4,990
2010	\$123,000	\$118,000	\$5,000
2009	\$124,000	\$118,000	\$6,000

## Tuition and Fees

### FY 2015 Proposed Tuition and Fees Revenue Budget with Recent History (dollars in thousands)

	Proposed FY 2015	Budget FY 2014	Actual FY 2013	Actual FY 2012
Gross Tuition	\$26,456	\$24,749	\$23,935	\$22,300
Scholarship Aid	(8,995)	(7,970)	(7,241)	(7,780)
Net Tuition	\$17,461	\$16,779	\$16,694	\$14,520

The revenue from tuition and fees, as proposed above, reflects the Board-approved 8 percent increase for fall 2014 tuition.<sup>3</sup> Projected undergraduate enrollment for FY 2015 remains essentially flat from FY 2014, while the projected graduate enrollment is expected to soften and decrease somewhat. Flat undergraduate enrollment and declining graduate enrollment is being seen across the board within higher education. In Moody's 2014 Outlook on U.S. Higher Education and Not-for-Profits, Moody's stated that increases in net tuition revenue were expected to remain weak in 2014, with almost half of Moody's rated universities anticipating total enrollment declines in 2014. Graduate schools in particular are seeing large enrollment declines due to overall economic concerns.

The UPBC has considered tuition trends of peer institutions, as well as the professional advice of a national consultant engaged to help the University on enrollment matters, and recommends a tuition increase in the range of two to five percent for fall 2015. The proposed budget assumed a four percent increase for fall 2015.

The proposed tuition and fees revenue is based on the enrollment shown in the table below.

### Enrollment Projection

	Projected FY 2015						
	Fall 2014			Spring 2015			Summer 2015
	Total	Full-time	Part-time	Total	Full-time	Part-time	Total
Undergraduate	1,086	1,025	61	978	926	52	196
Graduate	475	358	117	430	325	105	204
English Language Institute	73	73	0	73	73	0	25
<b>Total University Enrollment</b>	<b>1,634</b>	<b>1,456</b>	<b>178</b>	<b>1,481</b>	<b>1,324</b>	<b>157</b>	<b>425</b>

### Enrollment Trends

	Fall 2011(actual)	Fall 2012 (actual)	Fall 2013 (actual)	Fall 2014 (projected)
Undergraduate	1,118	1,117	1,077	1,086
Graduate	428	463	484	475
English Language Institute	65	90	63	73
<b>Total University Enrollment</b>	<b>1,713</b>	<b>1,670</b>	<b>1,624</b>	<b>1,634</b>

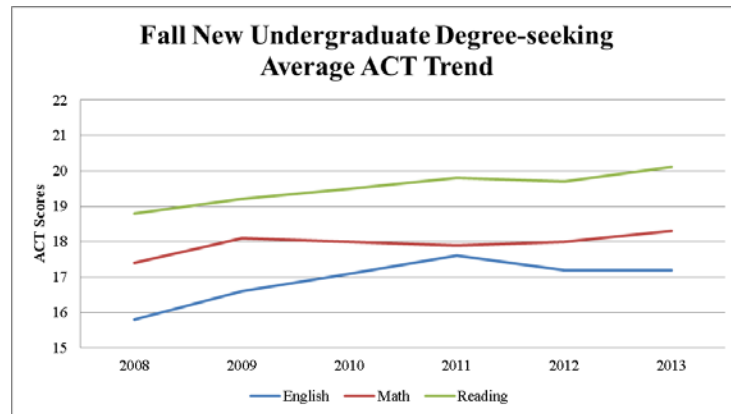
<sup>3</sup> Note: During the May 2013 Board of Trustees' meeting, the Board approved an eight percent increase for academic year 2014-2015 tuition.

## Scholarship Aid

*FY 2015 Proposed Institutional Aid Budget with Recent History  
(dollars in thousands)*

	Proposed FY 2015	Budget FY 2014	Actual FY 2013	Actual FY 2012
Student Aid	\$(8,995)	\$(7,970)	\$(7,241)	\$(7,780)

Consistent with GSP Goals A and B, to increase enrollment and improve retention rates, five years ago, Gallaudet began offering 4-year merit-based scholarships. The strategy was intended to raise academic standards, improve retention, improve graduation rates, and increase enrollment. The strategy has contributed to improved ACT entrance scores for arriving freshman as noted below.



While the merit-based scholarships have contributed to these improvements, in FY 2013, Gallaudet hired a nationally recognized financial aid consultant to assist with evaluating the effectiveness of the University's current financial aid strategies and to aid in re-configuring its aid packages to optimize enrollment and net tuition. Extensive analysis of the past two years' financial aid awards has provided insights into students and/or their family's ability to pay and/or their willingness to pay the necessary tuition and fees to attend Gallaudet. The consultant's analysis suggests that by reconfiguring Gallaudet's awarding strategy, the University can increase the number of students choosing to enroll in fall 2015. The pool of potential students was analyzed using several demographics. The analysis revealed the enrollment patterns for each demographic group depended on the institutional aid awarded, suggesting that if Gallaudet reconfigures institutional aid award packages based on historical patterns, the University could yield a higher enrollment in fall 2015. While the consultant's findings give us reason to be cautiously optimistic, for budget purposes, Gallaudet chose to keep the enrollment assumptions conservative for fall 2015 undergraduates, as the University is still working collaboratively with the consultant to adjust these strategies as needed.

The FY 2015 new financial aid strategies will be awarded on a rolling basis using very specific criteria and will not be constrained by a budgeted amount. For the function of the FY 2015 proposed budget, the University estimates these strategies will yield a discount rate of approximately 34 percent, as compared to 32 percent in the prior year. For this purpose, discount rate is calculated as total institutional aid divided by the billable tuition and fees. The University will continue this analysis to determine if funds are being applied in the most strategic manner to optimize enrollment.

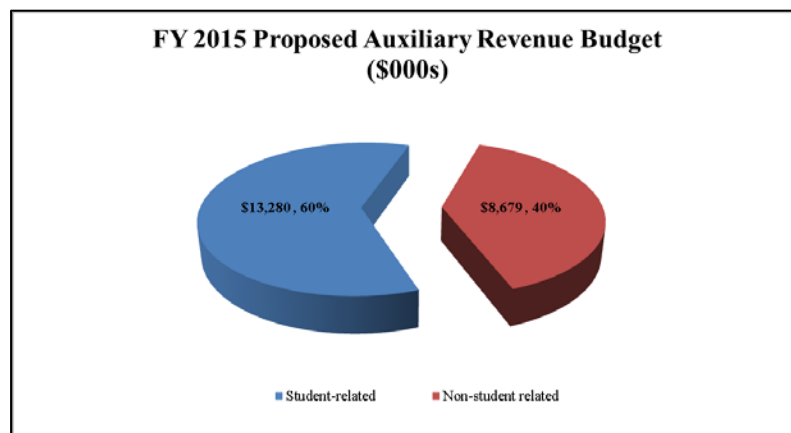
In FY 2014, the consultant began to review the graduate students' financial aid packages to optimize enrollment and net tuition for this student population. The recommendations are not yet available; however, the expectation is that the recommendations will be implemented in FY 2015. The impact is not expected to be material.

## Auxiliary Enterprises

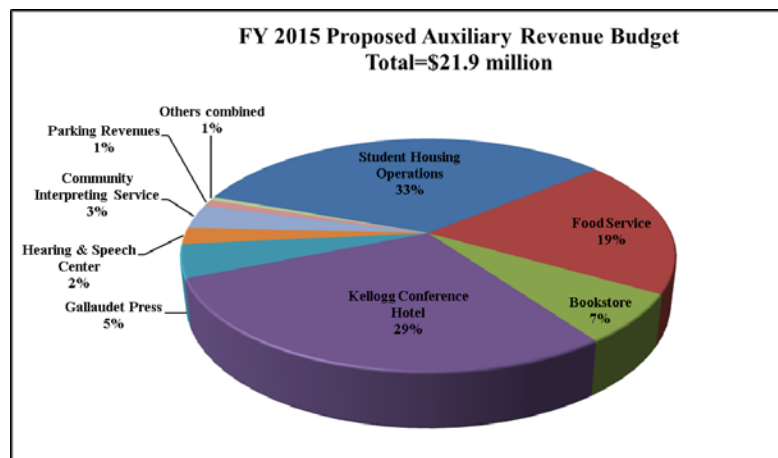
*FY 2015 Proposed Auxiliary Enterprises Budget with Recent History  
(dollars in thousands)*

	Proposed FY 2015	Budget FY 2014	Actual FY 2013	Actual FY 2012
Auxiliary Enterprises	\$21,887	\$21,361	\$21,016	\$20,916

At Gallaudet, auxiliary revenues come from primarily revenue-generating or self-supporting activities such as the student residence halls, food service, Kellogg Conference Hotel, bookstore, and Gallaudet University Press. Approximately 60 percent of the auxiliary revenues are driven by student enrollment, with the remaining 40 percent being non-student related auxiliaries. As Gallaudet works to diversify its revenue streams, the University expects that non-student related auxiliaries will make up a greater percentage of this total. While not budgeted for in FY 2015, the University expects that future lease income from the 6<sup>th</sup> Street Development Project will be recorded here.



A full breakdown of auxiliary revenues by individual auxiliary units is illustrated in the graph below.



The largest auxiliary enterprise is the University's residence hall operations. Revenues from the residence halls, not counting the incidental overnight and short-term visitors and apartments, are projected to be \$6.78 million. This is based on the assumption that Gallaudet will have 935 residents in the residence halls at the beginning of Academic Year 2014-15 and 33 in the Faculty Row Houses. At the May 2010 Board of Trustees meeting, the trustees approved a plan to increase room rates by nine percent annually for five years. FY 2015 would be the third year of this plan.

The largest non-student auxiliary enterprise is the Kellogg Conference Hotel. A project is currently underway to redesign the public space and café on the first and second floors. Another contract in the works includes designing and developing

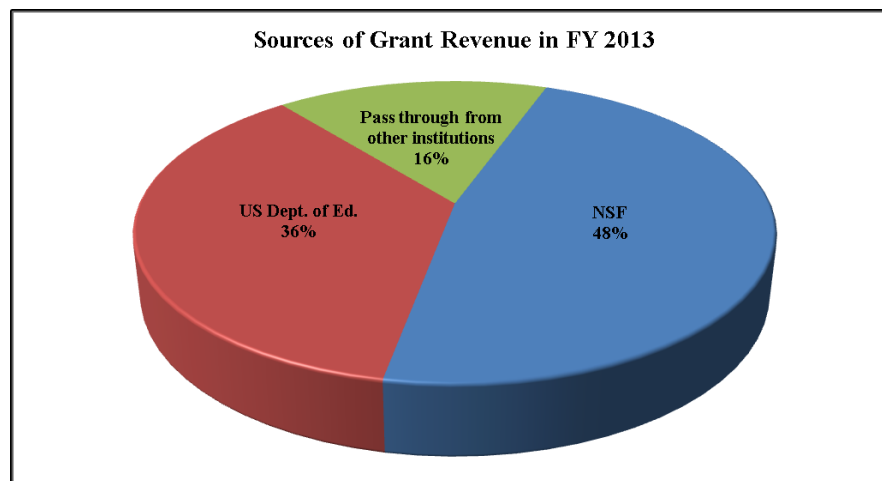
guest rooms on the third floor. After completion of these projects, the University expects to see annual revenues increase from between \$5.9 million and \$6 million in the past two to three years to \$6.3 million in FY 2015.

Other student-related auxiliary revenue projections are based on the projected enrollment numbers, which affect the number of students participating in meal plans. Non-student related revenue projections are based on assumptions about the near-future economic conditions and projected demand for the products and services. Moreover, non-student auxiliary enterprises help the University diversify its revenue sources, securing a sustainable resource base called for in Goal C of the GSP.

## Grants and Contracts

*FY 2015 Proposed Grants and Contracts Budget with Recent History  
(dollars in thousands)*

	Proposed FY 2015	Budget FY 2014	Actual FY 2013	Actual FY 2012
Grants and Contracts	\$4,000	\$5,600	\$5,825	\$5,568



The proposed FY 2015 grant funding shows a reduction of \$1.6 million. The number of awards remains relatively stable; however, the decline in revenue is largely due to two awards - Visual Learning (VL2) and the Rehabilitation Engineering Research Center on Hearing Enhancement (RERC-HE).

- Gallaudet's largest award is from National Science Foundation (NSF) for the VL2 project which began at \$4 million in project year 1 with a gradual decrease to a final year of \$500 thousand. The expectation was that as VL2 was institutionalized by Gallaudet, the NSF awards would reduce.
- The University's second largest grant has been the U.S. Department of Education's RERC-HE which was up for renewal in 2013. After enjoying 15 successful years at Gallaudet a competitive proposal was submitted for a renewal. Unfortunately, no awards were made to any Rehabilitation Engineering Research Center.

Gallaudet is currently in the process of developing a new proposal to apply for the recently announced, renamed, and re-focused Leadership Consortia in Sensory Disabilities and Disabilities Associated with Intensive Service Needs. The VL2 and RERC-HE expect they will be very competitive for their identified new funding opportunities and are planning proposals to the U.S. Department of Education, the NSF, and the National Institutes of Health.

In the current economic climate and after sequestration, grant funding at most higher education institutions has declined. Standard and Poor's stated in their 2014 Higher Education Outlook that federal research revenue will remain flat at best over the next year. In forecasting revenue from grants, the University considered the schedules for current grants, the prospects of renewing existing grants, and the possibility of generating new grants with current resources.

## Investment Income – Operations

*FY 2015 Proposed Investment Income (Operations) Budget with Recent History*  
(dollars in thousands)

	Proposed FY 2015	Budget FY 2014	Actual FY 2013	Actual FY 2012
Investment Income for Operations	\$7,376	\$7,150	\$7,222	\$5,862

The University's investment policy states it will spend five percent annually of the three-year average fair value of the endowment investments. Consequently, the annual endowment payout has a built-in delay in increasing or decreasing along with the financial markets. While it is not possible to accurately predict the financial markets, the following conservative assumptions were used to calculate the operating investment income:

- The Endowment fund pool investment return will be 7.8 percent annually. This 7.8 percent solely captures the investment performance exclusive of the annual payout or any new donor contributions. It is also the expected 10 year return based on the endowment's current asset allocation.
- Additional donor endowed contributions were not assumed.
- The annual Endowment fund payout percentage will be reduced by .25 percent to 4.75 percent for those endowments with a market value as of the end of FY 2013 above the historical principal value (e.g. not underwater). This assumption provides flexibility if the University decides to gradually reduce its spending rate.
- The Endowment fund pool has an approximate split of 90/10 unrestricted endowments to temporarily restricted endowments. The endowments designated as temporarily restricted have unique purposes and thus the related payout will not be used to offset division expenses.
- Short-term investment vehicles for the University's excess cash will not produce a material return.
- The Board's Investment committee set a precedent in FY 2012 to suspend the annual payout for the individual endowment funds with a market value as of 9/30/11 that was less than the historical principal value. This situation, otherwise known as being underwater, will likely result in a reduced annual payout for the coming years. This decision to suspend underwater endowment payouts was reaffirmed for the FY 2014 payout and it will be assumed to continue in FY 2015 and beyond.
- The Federal Matching program is in the final year in FY 2015 and the income expected to support operations is not material.

The table below illustrates the basis used to forecast FY 2015 investment income.

*Basis for Estimating Investment Income for Operations*

	FY2013 ACTUALS	FY2014 ACTUALS	FY2015 PROJECTED
FY10 Ending Market Value of the Endowment Pool	142,485,000	142,485,000	142,485,000
FY11 Ending Market Value of the Endowment Pool	137,733,000	137,733,000	137,733,000
FY12 Ending Market Value of the Endowment Pool	153,468,000	153,468,000	153,468,000
FY13 Ending Market Value of the Endowment Pool		178,723,000	178,723,000
FY14 Ending Market Value of the Endowment Pool			187,754,000
Three Year Rolling Average	144,562,000	156,642,000	173,315,000
Net UR Payout Estimated (5% FY13 and 4.75% beyond)	6,200,000	6,900,000	7,376,000
Special Allocation UR payout	1,022,000		
Net TR Payout Estimated (5% FY13 and 4.75% beyond)	331,000	400,000	440,000
<b>Total Investment Income Used for Operations</b>	<b>7,222,000</b>	<b>6,900,000</b>	<b>7,376,000</b>

## Contributions

*FY 2015 Proposed Contributions with Recent History*  
(dollars in thousands)

	Proposed FY 2015	Budget FY 2014	Actual FY 2013	Actual FY 2012
Contributions	\$3,000	\$3,000	\$4,597	\$3,384

Revenue contributions budgeted for operations are collected through fundraising efforts that support expenses incurred through the normal course of University operations such as research, scholarships and academic support. The division of Development and Alumni Relations works diligently throughout the year to engage alumni, friends, the Board of Associates, and the Board of Trustees to make gifts that advance the University's mission and pursuit of excellence.

The University is currently searching for a new Vice President of Development and Alumni Relations as that position is being vacated in early June. This key position is the Chief Development Officer and is responsible for securing the largest gifts to the University. The success of this search process and subsequent transition will impact contributions for FY 2015 and possibly beyond. While the Vice President's position is critical to the success of the division, the division remains active in securing new gifts and pledges, planned gifts and developing the pipeline. Given this fact, the University chose to remain conservative in budgeting for contributions for FY 2015.

## Other

*FY 2015 Proposed Other Income Budget with Recent History  
(dollars in thousands)*

	Proposed FY 2015	Budget FY 2014	Actual FY 2013	Actual FY 2012
Other Sources	\$864	\$1,302	\$1,179	\$1,365

Other sources are comprised of a number of small activities such as ASL evaluations, outreach activities, theater ticket sales, use of athletic facilities, admission fees to athletics events, student fines, and summer activities.

The income from these other sources is down compared to the FY 2014 budget due to a categorical correction (i.e., approximately \$250 thousand that should have been budgeted under tuition and fees), and a lower level of contractual use of facilities during summer months. The administration is working to review options to market campus facilities to generate additional revenue.



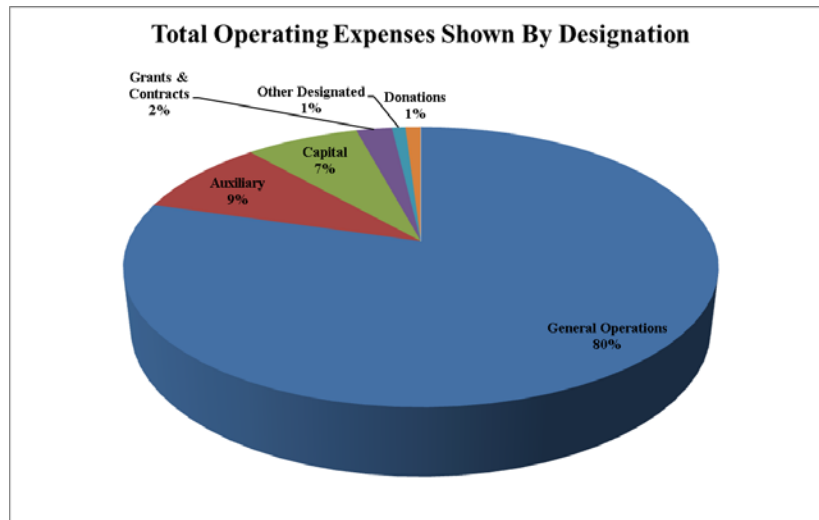
## PROPOSED FY 2015 OPERATIONS EXPENSE BUDGET

The table below provides a breakdown of the recommended operating expense budget by natural expense category. A description of the basis for forecasting each component follows.

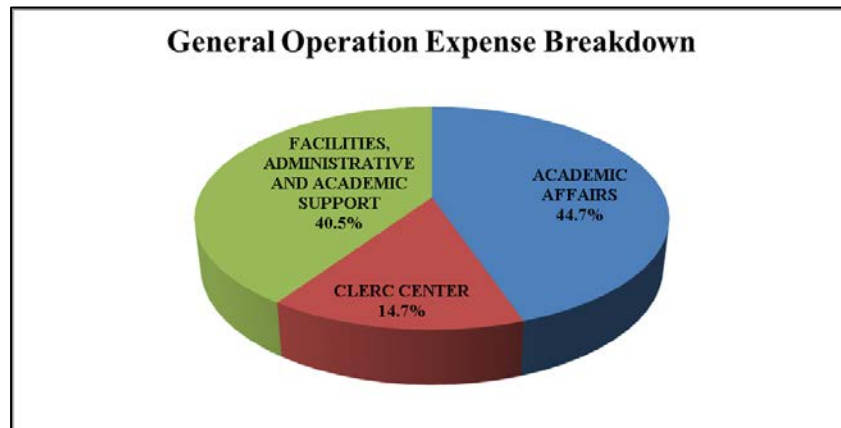
### *Operating Expense Budget (dollars in thousands)*

OPERATING BUDGET BY NATURAL EXPENSE CATEGORIES (dollars in thousands)						
Natural Expense Category	FY 2015 Proposed Position Allocation	FY 2015 Proposed Budget	% of Total	FY 2014 Position Allocation	FY 2014 Budget	% of Total
Payroll (includes both centralized payroll and non-centralized payroll)	930	\$107,861	62%	930	\$102,627	62%
Utilities		\$6,300	4%		\$5,800	3%
Depreciation		\$12,700	7%		\$12,300	7%
Interest on Bonds		\$2,064	1%		\$2,064	1%
Auxiliary Service Contracts		\$9,483	5%		\$9,390	6%
Other Professional Fees and Contracts		\$8,426	5%		\$9,159	5%
Consultants and Advisors		\$3,445	2%		\$4,842	3%
General Office Expenses		\$6,940	4%		\$7,391	4%
Furniture and Equipment		\$1,514	1%		\$1,570	1%
Travel and Transportation		\$1,522	1%		\$1,982	1%
Auxiliary Cost of Goods		\$1,446	1%		\$1,325	1%
External Access Services		\$1,248	1%		\$913	1%
Special Projects		\$5,723	3%		\$3,071	2%
Other non-payroll		\$1,616	1%		\$2,151	1%
Contingency		\$2,300	1%		\$2,000	1%
<b>Total</b>	<b>930</b>	<b>\$172,588</b>		<b>930</b>	<b>\$166,585</b>	

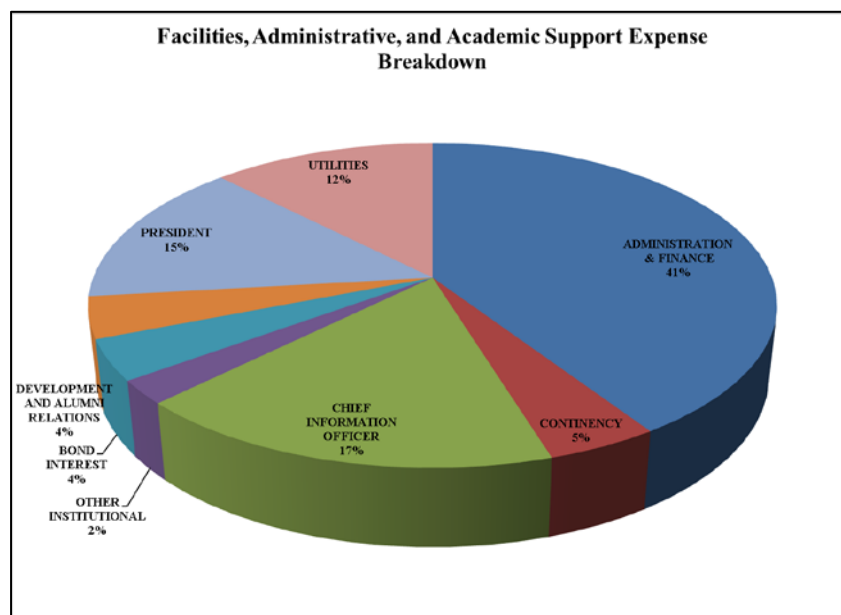
Of the \$172.6 million in total operating expenses, not all is available for operations. The chart below shows the composition of the designated and undesignated breakdown of expenses.



Since the general operations area is the largest area, and the most within Gallaudet’s control, this area of expense warrants additional explanation and analysis. The majority of Gallaudet’s operational expenses are related to instructional activities, which is consistent with what one would see at educational institutions. Between Academic Affairs and Clerc Center budgets, these expenses make up 59.4 percent of the total general operating expense budget, as shown below.



The Facilities, Administrative, and Academic Support expenses referred to above include most other departments, as shown below.



## Payroll

### *FY 2015 Proposed Payroll Budget with Recent History (dollars in thousands)*

	Proposed FY 2015	Budgeted FY 2014	Actual FY 2013	Actual FY 2012
Payroll (includes both centralized payroll and non-centralized payroll)	\$107,861	\$102,627	\$107,214	\$107,151

In both FY 2014 and FY 2015, the payroll budget represented 62 percent of the total University operating expenses. The proposed FY 2015 payroll budget is comprised of 930 positions, same as the FY 2014 payroll budget. The budgeted dollar increase year-over-year is attributable to the three percent general pay increase in FY 2014 as well as an assumed two percent general pay increase for FY 2015. In the previous years, the employee count has intentionally trended downward, however for budget purposes, the University has assumed the same number of positions as in FY 2014's budget while departmental personnel needs are reassessed in the post-Voluntary Retirement Incentive Program (VRIP) environment. The VRIP not only impacted daily functions and operations, but also affected the average salary figures for faculty, staff, and teacher groups. Additionally, due to the abbreviated budget planning process for FY 2015, representatives from faculty, staff, and teacher groups were not given the opportunity to present treatment proposals to the UPBC. In considering all these factors, additional time is needed for assessment of employees' salaries.

Also, in FY 2014, additional increases were provided to ensure the competitiveness of both the Clerc Center teachers' salaries and University Faculty's salaries. This is an area that the University will continue to assess closely in FY 2015, but the University hopes that through this budget increase, the administration will be able to recognize the vital role employees play in achieving the University's mission and help make strides towards implementing the GSP and CCSP.

### **Peer Comparisons**

While the increases in FY 2014 and planned increases in FY 2015 go a long way to make employees' salaries competitive with the University's peers, the University also evaluated employees' salaries through practicing the following three strategies—

- **University Faculty** - Annually, the University Faculty prepares an analysis of their salaries based on data published by the American Association of University Professors (AAUP). They compare Gallaudet faculty salaries by rank against an established group of comparator colleges. Historically, general pay increases coupled with merit increases have proven effective at maintaining the competitiveness of overall faculty pay. The review of the April 2013 AAUP survey results showed that faculty lagged behind the adjusted mean. As a result, along with the three percent general pay raise, 18 faculty members received an additional salary adjustment in FY 2014. Starting in August 2014, 25 faculty will receive a salary adjustment and 15 faculty will be promoted and receive an increase in their pay. There will be another phase of faculty salary adjustment until after further analysis of recent retirements and pay equity.
- **Clerc Center Teachers** – The Clerc Center performs an analysis every three years on the same schedule as the University's staff salary analysis. They compare teachers' salaries against those at large schools for the deaf located in large urban cities, as well as local school districts in the tri-state area (Maryland, DC, and Virginia). This sampling of schools allows for both the comparison against schools of similar setting, as well as teacher pay rates in the DC area. The Clerc Center also considers teacher contract requirements in other schools and the number of instructional and workdays at those schools as compared to those at the Clerc Center. In the FY 2014 budget report, the University reported that the survey results showed Clerc Center teacher salaries in the bottom 15th percentile compared to the schools, and schools systems, in the survey. Salaries in some classifications were lagging by as much as 10 percent. As of the spring 2014, Clerc Center teacher pay rates were adjusted first by the general pay increase of three percent awarded to all employees and an additional seven percent was also awarded to create equity in the pay scale against comparison districts. Future efforts to ensure continued equity will include discussions on the process used to evaluate teacher pay and award step increases going forward.
- **Staff** – Every three years the University collects competitive base salary information on more than 80 benchmarked positions. These positions are selected based on the following criteria: common with educational institutions, difficult to retain, market sensitive, representing all levels and functions within

Gallaudet, and containing multiple incumbents. The competitive market used for the review is defined as education and non-profit institutions, 1200 full-time employees with a similar operating budget, and local to the Washington, DC area. Because of the difficulty in recruiting employees with the appropriate skills required to work at Gallaudet, the midpoints of the salary structure grades are designed at the 65<sup>th</sup> percentile of the competitive market. Between the 3-year full benchmarking surveys, an abbreviated analysis is completed every year to determine the salary ranges for the next fiscal year.

## Utilities

*FY 2015 Proposed Utilities Budget with Recent History*  
(dollars in thousands)

	Proposed FY 2015	Budgeted FY 2014	Actual FY 2013	Actual FY 2012
Utilities	\$6,300	\$5,800	\$5,100	\$5,605

The FY 2015 cost of utilities is expected to be approximately \$6.3 million, and represents an 8.6 percent increase over the FY 2014 budget. Forecasting utility expenses is not an exact science as it is dependent on the varying levels of demand and the varying rates to purchase energy.

While the University remains committed to managing its energy use, the budget reflects FY 2014's rise in energy consumption. The University is still working with a national consultant to manage and improve its energy efficiency. In addition, in FY 2013, President Hurwitz further demonstrated this commitment to sustainability by joining nine other University presidents in signing the District of Columbia Mayor's College and University Sustainability Pledge (CUSP) intended to ensure that the District is environmentally, economically and socially sustainable.

## Depreciation

*FY 2015 Proposed Depreciation Budget with Recent History*  
(dollars in thousands)

	Proposed FY 2015	Budgeted FY 2014	Actual FY 2013	Actual FY 2012
Depreciation	\$12,700	\$12,300	\$12,321	\$10,708

Gallaudet capitalizes buildings, building improvements, outside improvements, software over \$25,000, and furniture and equipment over \$5,000 with depreciable lives greater than one year. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Asset Class	Estimated Lives (years)
Land improvements	60
Buildings	40 to 60
Building improvements	20 to 60
Outside improvements	10 to 20
Library books	10
Furniture and equipment	5
Software	3

It is Gallaudet's practice to fund depreciation and to adopt the budgeted amount for depreciation as the base budget for its capital budget (see Capital Budget section for additional details).

## Interest on Bonds

The FY 2015 proposed budget for interest on bonds is \$2.064 million. In FY 2011, Gallaudet entered the capital markets with \$40 million tax-exempt bonds. The net proceeds of the bond sales, roughly \$39.5 million were used to cover the interest payments during the construction period, to pay a required fee to the District of Columbia Revenue Bond Program, and for a number of capital improvement projects such as the Living and Learning Residence Hall, energy conservation, and renovation of Fay and Ballard Houses. This 30-year bond issue requires semi-annual payments on October 1 and April 1 every year from FY 2013 through FY 2041. Bond interest payments are estimated to be approximately \$2 million across the next five years.

## Other Expenses in Division Operating Budgets

Other expenses include transportation and travel, general office expenses, consultants and advisors, professional fees, professional development, printing and publishing, Bookstore and Press 'cost-of-goods-sold,' furniture and equipment, and access services. These categories amount to \$43.7 million or 25 percent of the expense budget and are generally division-controlled expenses, auxiliary enterprise expenses, or grant-, donation-, or endowment-supported expenses.

## Contingency/Planned Operating Surplus

It is considered best practice in higher education for the net operating surplus to be in the range of two to four percent. Two percent would be about \$3.5 million for FY 2015. In FY 2014, the University budgeted \$2.0 million, and the administration was committed to increasing the planned surplus annually, with the goal of getting the contingency fund up to the minimum two percent operating surplus. Based on factors addressed above related to revenue, Gallaudet was able to increase the planned surplus to \$2.3 million for FY 2015.

## PROPOSED FY 2015 CAPITAL BUDGET

Gallaudet expects to have three major sources of funding available for capital improvements in FY 2015.

1. An amount equal to the projected depreciation expense for FY 2015, \$12.7 million, to provide for annual reinvestment in the physical plant. This is shown in the row titled, “1. Base Capital Improvement Budget” on the table below.
2. The accumulated federal appropriations, \$28.6 million as of September 30, 2013, intended for the construction of a new residence hall for the Clerc Center. Of this sum, approximately \$14 million is expected to be expended in FY 2015. See the row titled, “2. Federal Appropriations for Construction.”
3. The remaining balance of the tax-exempt bond proceeds, between \$1.4 and \$2.5 million, the use of which is yet to be identified. This is shown in “Plan for Uses of Remaining Tax-exempt Bond Proceeds” below.

**FY 2015 Capital Improvements Plan**  
(\$000s)

Description	Amount
<b>Deferred Maintenance</b>	<b>\$ 3,400</b>
<b>Annual Allocations</b>	<b>\$ 1,500</b>
<b>Major Capital Improvement Projects</b>	
Science Lab Remodel, to be completed in FY2015	7,300
Appleby/6th Street & Florida Avenue Gate, initial stages	500
<b>Subtotal New Constr./Major Renov. Projects</b>	<b>\$ 7,800</b>
<b>1. Base Capital Improvement Budget</b>	<b>\$ 12,700</b>
<b>2. Federal Appropriations for Construction</b>	<b>\$ 14,000</b>
<b>Tax-exempt Bonds</b>	
Project to be determined	2,400
<b>3. Tax-exempt Bonds</b>	<b>\$ 2,400</b>
<b>Total Funds Available for Capital Projects</b>	<b>\$ 29,100</b>

This plan generally reflects the following principles which govern Gallaudet’s approach to funding capital improvements:

- The projected depreciation expense establishes the minimum amount of funds to set aside for capital improvements to prevent operating deficits and to provide for long-term and systematic reinvestment in the physical plant.
- The federal appropriations should finance large Clerc Center improvement projects. Gallaudet, however, will maintain the physical plant at the Clerc Center site to ensure reliable and safe operations of the program.
- The University will leverage fundraising opportunities to supplement the capital improvement budget.

## Deferred Maintenance

Gallaudet recommends that the allocation for deferred maintenance projects be set at \$3.4 million. The University generally uses this fund for the upkeep of its existing physical plant and infrastructure, such as parking garage rehabilitation, roof replacement, pavement and sidewalk resurfacing, boilers and heating and cooling distribution systems, and replacement of pipelines. Under an approach that was described in the FY 2012 budget, Gallaudet will increase the deferred maintenance portion of its capital budget gradually until it reaches an amount equal to two percent of net land, buildings and other property as reported in the University's annual audited financial statements.

With the \$191 million that Gallaudet reported in the net land, buildings and other property line of FY 2013 financial statements, the allocation would have been approximately \$3.8 million. Because of the major plan for renovating Hall Memorial Building for a new science laboratory (see the discussion below), Gallaudet does not have enough flexibility in the budget to fund the full amount. Therefore, Gallaudet will increase the FY 2014 deferred maintenance budget of \$3.2 million by \$200 thousand, to \$3.4 million for FY 2015. The book value of the institution's physical plant and this approach are subject to change every time Gallaudet completes its annual financial statements.

## Annual Allocations

The University intends to continue allocating \$1.5 million toward replacement of the institution's furniture and equipment in the shared or general use spaces across the campus in a systematic and gradual manner. During FY 2014, Gallaudet requested key stakeholders to submit requests for the use of this fund. Other than furniture for dormitories and athletics facilities improvements, three new areas received funding for their needs: 1) technology for classrooms, 2) furniture for classrooms, and 3) general furniture and equipment replacement needs at the Clerc Center. In FY 2015, Gallaudet intends to continue using this inclusive approach to identify the areas of greatest need for this source of funding. This allocation also includes \$500 thousand of funding for general construction contingency.

## Major Capital Improvements Projects

The largest capital improvement project will be a major remodeling of the third and fourth floors of Hall Memorial Building for a new Science, Technology & Mathematics laboratory. At a projected three-year cost of approximately \$16 million, this project is intended to replace the aging space and equipment with new equipment and configurations to support the vision for safe, open, spacious, adaptable, and functional workspace. The scope of this project also includes relocating Psychology and other academic departments.

The new configurations of the lab and classroom space are intended to transform the current science courses from primarily lecture-based to activity-based, bringing current best practices in science education to the University. For example, the planned "flex-tables" in biology are intended to maximize problem-based, group learning lab work. The new lab space also will have centralized chemical storage to increase efficiency and maximize the use of resources. This is intended to bring the University into compliance with current safety standards.

Gallaudet plans to allocate \$7.3 million of FY 2015 funds toward this project. This amount will be supplemented by another \$2.8 million from the FY 2014 funds that the University is retaining in reserve because of the timeline of this project. See the Proposed FY 2014 Capital Budget, pages 32 through 34 in the Fiscal Year 2014 Budget Recommendations, available at [https://www.gallaudet.edu/University\\_planning\\_and\\_budget\\_committee.html](https://www.gallaudet.edu/University_planning_and_budget_committee.html). Gallaudet believes it has enough flexibility in the timeline of this project so the remainder of the \$16 million cost can be expended in FY 2016.

This project supports all five goals of the Gallaudet Strategic Plan.

- Goals A and B – Recruitment and Retention: State-of-the-art laboratories are essential to maintaining or increasing recruitment of academically talented students in the sciences. The configurations of the lab space are also designed to support program expansions.
- Goal C – Expanding the Resource Base: Availability of adequate faculty research space in several fields, particularly Chemistry and Physics, will support the University's efforts to compete for external grant funding.
- Goal D – Institutional Mission and Vision: State-of-the-art laboratory facilities will strengthen students' preparation for internships and employment.

- Goal E – Research: Research spaces are needed. Chemistry and Physics, for example, currently have no dedicated faculty laboratory research spaces.

### **Federal Appropriations for Construction**

To date, the federal government has appropriated the full \$28 million request for the MSSD residence hall. Gallaudet has used earlier appropriated funds to complete the work of removing old buildings and stabilizing the soil. Currently, a survey update, geotechnical exploration and architectural design competition are underway. Expenditures for this project are expected to increase significantly in FY 2015, totaling approximately \$14 million. The project is expected to be open for students in January 2016.

MSSD students have been involved in the building design competition process. The design competition includes the use of student-centered charrettes, or formal workshops. These are intended to elicit students' insight into how a residence hall can enhance the MSSD experience for “a powerfully cohesive student life.” Three architectural firms were invited to visit MSSD and work with a Dorm Design Committee. To obtain a mix of perspectives, the committee consists of the Director of MSSD Student Life, the MSSD Principal, several residential educators and members of the Clerc Center and Gallaudet University administration.

The design competition process consisted of inviting approximately 60 MSSD students to take pictures of “the spirit of MSSD” and the things that inspired them about being on campus. The students brought these pictures to the charrettes and broke into small group “idea sessions” to express their thoughts about the new building. The architects observed these idea sessions and presented possible designs to the students. In late spring 2014, the Dorm Design Committee expects to evaluate final designs from each architectural firm and host an open viewing of all final designs for the community. This project supports GSP Strategy B.1.1 Upgrade physical infrastructure (primarily dormitories) to meet 21st century student expectations for quality of campus life.

**Plan for Uses of Remaining Tax-exempt Bond Proceeds:** With the net proceeds of the \$40-million tax-exempt bond issue obtained in FY 2011, Gallaudet has already funded:

- 1) The construction of a new residence hall and a geothermal project that supports the building,
- 2) An energy conservation project, and
- 3) Conversion of Fay & Ballard Houses to student residence.

The remainder, between \$1.4 and \$2.4 million, will be added to the budget for a project yet to be identified. The selection of the project will be based on the ease of complying with the terms, covenants and other agreements that the University entered into with the District of Columbia government as part of the bond issue.



## APPENDIX A

### Managerial and Fiscal Accountability

Gallaudet employs a number of strategies to assure accountability in all of its activities. The following paragraphs provide a brief overview of some of the strategies employed by the University.

A key factor in providing for accountability is the integrity and ethical values maintained and demonstrated by management and staff. Gallaudet University's administration maintains an environment that reflects a positive and supportive attitude towards internal control and conscientious management. Assuring a strong foundation for internal controls are the University's Administration and Operations Manual (A&O Manual) and the University Faculty By-laws and Guidelines. These documents, although not exclusively, help to provide assurance that the University complies with laws and regulations, maintains reliable financial reporting, and is effective and efficient. Among other things, the A&O Manual—

- Assigns responsibility for budget management and control to administrative officers, and
- Specifies restrictions imposed under the Education of the Deaf Act of the use of appropriated funds.

Additionally, the administration routinely monitors performance through such activities as standing meetings, standard and periodic reports, and supervision. The GSP and the CCSP provide key mechanisms for managerial and fiscal accountability. Periodic reports to the administration and to the Board on progress towards GSP and CCSP strategic goals and objectives represent a means for the administration to assure that resources are being deployed to fulfill strategic goals. Finally, the annual independent audit of the University's financial statement provides stakeholders with reasonable assurance that the University's financial statements fairly present its financial position, conform with accounting principles, and are free of material misstatement.

## APPENDIX B

FY2015 Expense Budget by Designation								
Description	Fund 101	Fund 102	Fund 103	Fund 104	Fund 106	Fund 107	Fund 108	Grand Total
	General	Auxiliary	Capital	Grants & Contracts	Student Organization	Endowment	Donation	
Total Centralized Payroll	\$88,752,723	\$3,004,146	\$0	\$1,097,112	\$0	\$107,782	\$38,237	\$93,000,000
Total Non-Centralized Payroll	\$13,599,560	\$653,300	\$0	\$324,140	\$161,000	\$45,000	\$78,000	\$14,861,000
Payroll (Includes both centralized payroll and non-centralized payroll)	\$102,352,283	\$3,657,446	\$0	\$1,421,252	\$161,000	\$152,782	\$116,237	\$107,861,000
Utilities	\$6,300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$6,300,000
Depreciation	\$0	\$0	\$12,700,000	\$0	\$0	\$0	\$0	\$12,700,000
Interest on Bonds	\$2,064,000	\$0	\$0	\$0	\$0	\$0	\$0	\$2,064,000
Professional Fees/Service Contracts	\$8,373,726	\$9,482,800	\$0	\$52,461	\$0	\$0	\$0	\$17,908,987
Consultants and Advisors	\$2,039,554	\$173,500	\$0	\$1,232,385	\$0	\$0	\$0	\$3,445,439
General Office Expenses	\$6,065,352	\$461,643	\$0	\$85,825	\$327,048	\$0	\$0	\$6,939,868
Furniture and Equipment	\$1,093,295	\$360,000	\$0	\$61,076	\$0	\$0	\$0	\$1,514,371
Travel and Transportation	\$1,169,637	\$16,100	\$0	\$196,348	\$140,164	\$0	\$0	\$1,522,249
Auxiliary Cost of Goods	\$0	\$1,445,853	\$0	\$0	\$0	\$0	\$0	\$1,445,853
External Access Services	\$652,762	\$528,767	\$0	\$66,039	\$0	\$0	\$0	\$1,247,568
Special Projects	\$3,397,966	\$85,100	\$0	\$9	\$100,000	\$536,000	\$1,603,763	\$5,722,838
Other non-payroll	\$1,425,882	-\$794,700	\$0	\$884,605	\$0	\$100,000	\$0	\$1,615,787
Contingency Fund	\$2,300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$2,300,000
	\$34,882,175	\$11,759,063	\$12,700,000	\$2,578,748	\$567,212	\$636,000	\$1,603,763	\$64,726,961
TOTAL EXPENSES	\$137,234,457	\$15,416,509	\$12,700,000	\$4,000,000	\$728,212	\$788,782	\$1,720,000	\$172,587,960

## APPENDIX C

### FY 2015 Budget Requests

Division	Department/Unit	Amount	Positions	Rank 1 - 4 (high) Criteria A-F* - please complete all boxes						
				A rank 1-4	B rank 1-4	C rank 1-4	D rank 1-4	E rank 1-4	F rank 1-4	Total
AA Student Affairs & Academic Support	Office of Students with Disabilities	\$ 10,000	-							
Clerc Center	Clerc Center Operations	\$ 100,000	-							
Clerc Center	Curriculum & Assessment	\$ 70,000	-							
Administration & Finance	General Institutional	\$ 749,000	1							
Clerc Center	Planning, Development, and Dissemination	\$ 40,000	-							
Academic Affairs Research	Priority Research Fund	\$ 300,000	-							
College of Arts & Sciences	Sciences, Technology & Mathematics - Public Health	\$ 95,776	-							
Academic Affairs Research	Center for Bilingual Teaching & Learning	\$ 243,000	-							
Academic Affairs Research	Faculty/Student Small Grants	\$ 150,000	-							
Academic Affairs Research	Undergraduate Research Initiative	\$ 50,000	-							
AA ASL Central!	ASL Central!	\$ 592,850	2							
AA Student Affairs & Academic Support	Student Compensation	\$ 48,978	-							
Clerc Center	Clerc Center Technology Services - computers	\$ 90,000	-							
Academic Affairs Research	Center for Deaf Documentary Studies	\$ 34,820	2							
Academic Affairs Research	Professional Development	\$ 105,500	-							
Academic Affairs Research	Associate Provost for Research	\$ 195,000	-							
Clerc Center	Clerc Center Technology Services - Smart boards	\$ 75,000	-							
Office of the President	Communications & Public Relations	\$ 100,000	-							
Academic Affairs Research	Deaf Studies Digital Journal	\$ 108,150	-							
AA College of Arts & Sciences	English Language Institute	\$ 75,870	-							
Academic Affairs Research	Innovation & Research Fund	\$ 300,000	-							
AA Library	E-subscriptions	\$ 50,000	-							
AA Library	Washington Research Library Consortium	\$ 30,370	-							
Administration & Finance	Program Development	\$ -	2							
Academic Affairs Research	Education Research Center	\$ 50,000	1							
AA Office of Diversity and Inclusion	Multicultural Student Programs	\$ 21,600	-							
Administration & Finance	6th Street Development	\$ 664,000	-							
Administration & Finance	Business Operations	\$ 10,000	1							
Administration & Finance	Systems & Operations	\$ 40,000	1							
Administration & Finance	Custodial & Maintenance	\$ -	3							
Office of the President	Enrollment Management Office	\$ 54,000	-							
Administration & Finance	Vehicle Replacements	\$ -	-							
AA GURC	Office of Regional and National Outreach - youth leadership	\$ 54,000								
Academic Affairs Research	Demographic Research	\$ 50,000	1							
Academic Affairs Research	Burstein Center for Excellence & Leadership	\$ 165,000	2							
AA Office of Diversity and Inclusion	Keep the Promise	\$ 17,000	-							
AA Student Affairs & Academic Support	Men Soccer	\$ 45,000	1							
AA Office of Diversity and Inclusion	LGBTQA Resource Center	\$ 68,000	-							
AA GURC	Office of Regional and National Outreach - meetings	\$ 25,000	-							
Office of the President	Office of the President	\$ -	-							
*Criteria A-F										
A. Legally required expense (e.g. ADA compliance, life necessity, accreditation etc).		D. Maintenance or enhancement of competitiveness in recruiting and retaining students, faculty, and staff.								
B. Centrality to mission and relationship to Gallaudet Strategic Plan and Clerc Center Strategic Plan goals.		E. Innovative deployment of resources that have the potential to increase revenue or enrollment.								
C. Preservation or enhancement of the quality or safety of the educational experience for students.		F. Fiscal feasibility.								

