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Subject: Budget Working Group -- Decisions document in response to Faculty Senate Resolution
From: Donald Lehman <lehman@gwu.edu>

Date: Wed, 26 Apr 2006 09:32:21 -0400 (EDT)

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Colleagues:

Attached to this e-mail is a document entitled "Decisions with regard to recommendations from the University's Budget Working Group." This document also serves as the response to the Faculty Senate's Resolution of 14 April 2006 that is a restatement of the recommendation put forward by the faculty members of the Budget Working Group. Lou and I feel that we have benefited from the discussions that took place in the Budget Working Group. We look forward to continuing the Budget Working Group going forward.

Lou and I also want to thank all of those of you who have put forward suggestions with respect to my query on 11 April 2006 with regard to reducing expenses and for generating new or additional revenues. At our next meeting of the Budget Working Group, we shall look forward to discussing this input in more detail. In the meantime, I continue to seek any other ideas in these two categories. In other words, keep "brainstorming" with your colleagues in this regard.

Again, thanks to all for your collegial work on the budget for FY 07 and beyond. I look forward to continuing this work into the future.

My best,
Don

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Decisions with regard to recommendations from the University's Budget Working Group

After three meetings of the University's Budget Working Group, the appointed faculty members of the group put forward a recommendation that became a passed Senate Resolution on 14 April 2006. The **Senate Resolution**, identical in its first two resolving clauses proposes the following:

- 1) That the revenue/expense gap in the University budget for FY 07 should be closed without a reduction in support for academic programs, and
- 2) That non-academic cuts in expenses by which the gap in the University budget for FY 07 may be closed include:
 - A. Reducing projected transfer of funds from current revenues to capital spending and debt service by \$5M
 - B. Deriving another \$3.2M from:
 - 1) reductions in expenditures in Administrative Offices reporting to the Executive VP and Treasurer, and from
 - 2) increasing net revenues from Auxiliary Services
 - 3) reducing projected expenditures in the Office of Student Academic Support Services, including possible reductions in the discount rate for incoming students
- 3) That the projected University budget gaps for FY 08 and FY 09 should be addressed:
 - A. Beginning in May 2006, by a budget process that includes full and active participation by representatives of the faculty designated by the Faculty Senate
 - B. Such a process should include, starting in October 2006 and continuing thereafter on a regular basis, reports to the Faculty Senate by the faculty representatives and the University Administration, covering both the status of the University budget for future years and the advantages and disadvantages of possible options to address any gaps in future years.

The purpose of this document is to convey the University Administration's response to this Faculty Senate resolution.

The University Administration greatly appreciates the discussions that have taken place during this AY both through the Senate's Fiscal Planning and Budgeting Committee and

through the University's Budget Working Group. It is clear that greater understanding of the technical details of the budgeting process has been gained by a number of people in the University community. The goal has been to provide as much transparency as possible with respect to the critical components driving the revenue and expense structure of the University's budget. Through the Budget Working Group, work continues in looking at new sources of revenue and areas in which expenses may possibly be reduced. Those involved have a greater appreciation of the complexity of decisions with regard to closing budget gaps owing to the interrelatedness of many aspects of the University operations. Great care must be taken in such decisions in order to understand fully the consequences.

Continuation of the Budget Working Group

With regard to the resolution, the University Administration welcomes the opportunity to continue the University's Budget Working Group in the next academic year. Therefore, we shall be glad to have the Senate's nomination of their representatives. Besides the Senate representatives, the University Administration will appoint other faculty members as well as a subset of relevant deans. The Executive Vice President for Academic Affairs and the Executive Vice President and Treasurer will continue to co-chair the Group with the Senior Vice President for Student Academic Support Services and the Associate Vice President for Budget as members.

Decisions with respect to Budget Recisions for FY 07

As a starting point for discussions in the University's Budget Working Group, Executive VPs Katz and Lehman proposed that we address the projected budget gaps out to FY 09 understanding that they are based on certain underlying assumptions about potential revenue generation through enrollments and growing expenses owing to merit-pay pools and certain unavoidable cost increases. The underlying assumptions lead to an anticipated gap in FY 09 of slightly more than \$12M beginning with a gap in FY 07 of \$8.2M. To address the projected gap in FY 09 now, it was proposed that \$4M come from reducing the transfer of funds from current revenues to capital spending and debt service, \$4M combined from the EVP&T's area and the Sr.VP for SASS area, and \$4M from Academic Affairs. With this proposal on the table, and after presentations and discussions in the Working Group, the faculty members of the Group proposed what is already stated in the Faculty Senate's Resolution given above. One can look at the two proposals as extreme positions: the proposal from the Administration looking forward three years on the basis of certain assumptions and addressing the projected gap now; the proposal from the Faculty Senate considering only the immediate (FY 07) and addressing the projected gap for FY 07 without any contribution from Academic Affairs. If the projections for FY 08 and FY 09 turn out to be realistic, then, under the Faculty Senate proposal, it is appropriate that Academic Affairs close any gaps that arise in FY 08 and FY 09.

Since no one has a crystal ball that is going to tell us how we are going to do even for FY 07, prudence tells us that an optimal approach lies somewhere between these two extreme

positions given in the previous paragraph. After much thought in that regard, Executive Vice Presidents Katz and Lehman have reached the following decisions for FY 07 budget recisions relative to the FY 07 projected gap of \$8.2M and to provide a cushion for FYs 08 and 09:

- I) Reduce the projected transfer of funds from current revenue to capital spending and debt service by \$5M;
- II) Derive \$3.2M from recisions in the Administrative Offices located under the EVP&T and the Sr.VP for SASS;
- III) Pull back \$1M from colleges, schools, and academic units under the EVPAA -- These funds will be used for one-time investments for strategic priorities in Academic Affairs for FY 07 and will serve as a reserve for FYs 08 and 09;
- IV) Sequester \$1M from colleges, schools, and academic units under the EVPAA -- These funds will be held until the week following enrollment census in order to determine whether enrollment targets for FY 07 have been met. If the enrollment targets have been met, these funds will be released for expenditure during the FY 07 academic year.