



April 29, 2009

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

Dear Colleagues,

The legislative session that ended on Sunday was one of the most difficult and challenging in decades. The legislature had the task of constructing a budget that dealt with a \$9 billion shortfall. The resulting budget has serious consequences for the University of Washington and all other public sectors.

The FY09-11 biennial budget for the University of Washington reduces our state funding by \$214 million, a decrease of 26%. With the infusion of federal stimulus dollars from the state, our effective reduction in state funding is \$189 million. For the next fiscal year (FY10), this is a reduction of \$95 million in state funding. (Note that this cut includes the reductions we were asked to take during the current year, FY09.) In addition to the deep reductions in state support, we also have increases in several fixed costs, which we must fund. Unfunded cost increases simply mean deeper cuts for campus units.

We have received authority to increase tuition by up to 14% for resident undergraduates, and continuing authority for non-resident, professional, and graduate student tuition. We expect this to yield approximately \$35 million in tuition revenue. While raising tuition is always a difficult choice, this revenue will help to mitigate the dramatic reductions in state support and increases in fixed costs expenditures.

Taking into account the reduction in state funding, unfunded cost expenditures, and tuition revenue, we have calculated that we need to achieve reductions of \$73 million in GOF and DOF to achieve a balanced budget.

Budget cuts to our academic and administrative units are never easy or uncomplicated. The severity of the current reduction in our state funding compounds the challenges. In reaching individual unit budget decisions, we relied on the principles we developed in collaboration with the Board of Deans and Chancellors, the Senate Committee on Planning and Budgeting, the University Budget Committee, and others. As I noted in previous memos to academic and administrative leaders in early April, there are many approaches to translating principles into actual budget decisions; none are without debate. However, I believe the strategic approach we applied to achieve a balanced budget, focusing on preserving excellence in learning and discovery as much as possible under the current financial constraints, is consistent with the established vision and values of the University of Washington.

As President Emmert has recently stated, the University of Washington has entered into a new budget paradigm. For the first time, revenue derived from student tuition will be greater than that

Deans, Chancellors, Vice Presidents, Vice Provosts

April 29, 2009

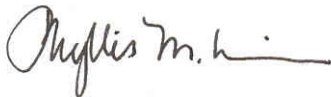
Page Two

from state funding. We need to be thoughtful in our response to this shift in tuition as a proportion of our overall revenue and its role as a revenue source. As we move into the new reality, we need to take steps to alter the budget model to reflect this change. Such a budget model needs to acknowledge the effort and costs of instruction and of administrative support. I have charged the Office of Planning and Budgeting to engage in discussion of how a new budget model should be constructed. This process will take time and will be a key priority for all of us over the upcoming academic year.

In order to bridge the impact of the budget reductions on our academic mission, I have decided to provide a one-time temporary fund of \$10 million, differentially allocated across academic units based on their student credit hours (SCH). While not a perfect measure of academic quality or output, SCH is a key indicator of overall instructional effort. I recognize that the cost of SCH differs among lower, upper, and graduate course offerings, so the allocations and have been calculated and weighted on the basis of these three categories. I expect that Deans will use the majority of this temporary allocation to fund teaching assistants, lecturers, and other academic positions that would have otherwise been eliminated due to permanent budget reductions. This will help to ensure that our students are offered the courses they need to progress toward their degrees. Please note that this is a temporary allocation of funds and should not be counted on as a permanent relief to our overall budget challenge.

In the next few weeks, the Budget Office will send detailed instructions and forms to administrators for use in achieving the budget reductions. As we have said before, units will receive credit for benefits costs associated with permanently eliminated budgeted positions. If there are any technical questions surrounding your budget reduction, please contact Amy Floit, Interim Director of budget operations in the Office of Planning and Budgeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Phyllis M. Wise". The signature is written in a cursive style with a horizontal line extending to the right.

Phyllis M. Wise

Provost and Executive Vice President