



To: David Schumacher, Director, Office of Financial Management  
From: Stacy Pearson, Vice President and Chief Financial Officer,  
Washington State University *Stacy M Pearson*  
Date: June 1, 2020

SUBJECT: IMMEDIATE ACTIONS TO CAPTURE OPERATING BUDGET SAVINGS

We are responding to your May 13 request to identify operating budget savings for FY2021 state appropriations. This is intended to present you with historical context regarding WSU's position entering this recession as well as to respond to your request to model reductions and extend a few requests.

### Background

During the Great Recession, WSU's biennial state appropriation fell from \$508 million in FY2008 to \$301 million in FY2013. This represents a reduction of 41 percent without considering the effect of any inflationary factors or maintenance level costs. Simultaneously, legislatively authorized tuition rose by 75 percent over a four-year period during the recession.

Those tuition increases only partly backfilled reductions to appropriation. Significant reductions were required on the ground at WSU campuses and installations. Some 581 faculty, staff and administrative positions were eliminated. These numbers would have been even higher were it not for federal investment through the American Recovery and Reinvestment Act funds that facilitated the transitioning of some employees off state funds and onto federally funded research initiatives.

WSU prioritized preserving academic instruction. Nonetheless, three academic programs were eliminated, seven academic departments were consolidated and seven others were reorganized or phased out. In total, 1,080 courses were eliminated from the course catalog. This dramatically increased class-sizes, the ratio of tenure track to non-tenure track faculty fell, and academic offerings became less specialized.

WSU significantly reduced administration. This includes university leadership, as vice presidential units, two colleges and a wide array of service units – from enrollment management to facilities services – were consolidated or eliminated. These reductions

included the ranks of professional staff who provide a wide array of services throughout the enterprise, such as academic counselors, research associates, information technology staff, preceptors, extension coordinators that provide valuable services to our students and communities.

With leadership from the Governor and Legislature, state appropriation recovered to its FY2008 numbers only now in FY2020. But after these 12 years the university looks very different, having added a new campus in Everett, a medical school based in Spokane, and a new satellite engineering operation in Bremerton – all authorized by the Legislature. The university also has 4,000 more student enrollments, many in high-cost and high-demand fields, representing a growth of 22 percent.

WSU also improved our understanding of how we serve our student population, adding a far larger suite of student services to support first generation college students and other populations often less prepared for the rigors of a college education, as well as other services such as mental health counseling now known to be increasingly needed to serve all students.

While WSU's tuition base is also larger with increasing enrollments it has importantly not kept pace with the vast growth in total service – be it access to high demand programming or services to students – over the past dozen years. WSU's employment has also rebounded with new services added, but most reductions from the Great Recession were never undone. WSU, like our higher education partners, continues to navigate reduced services in our communities and other changes that compromised academic quality and service.

As such, WSU is in many respects more vulnerable than it was before the Great Recession. This is compounded by the fact that tuition markets will not sustain another dramatic, multi-year run up and that fall enrollment may soften. Further – and unique to this recession – the university is also managing separate shortfalls to non-state-funded auxiliary enterprises such as housing and dining and the veterinary teaching hospital for which one-time federal funding will not completely backfill.

### Modelling reductions in FY21

To provide a sense of scale, WSU is presenting three hypothetical scenarios that reflect operating funds that are roughly equivalent to 15 percent of WSU's state appropriation.

- The colleges of nursing and medicine combined
- The colleges of business, communication and education combined
- The college of pharmacy, the graduate school and the entire student services budget at the Pullman campus combined

*Actual reductions would look far different and would be far more distributed across campus and communities.*

Consistent with shared governance, WSU is currently engaging the broader university community to determine how it will surgically navigate the fiscal challenge it faces, with a problem statement still undefined.

While individual units have been asked to model uniform spending reductions commensurate with the state's request of May 13, actual near-term reductions are likely to be more specialized to best protect top priorities.

Just as in the Great Recession, WSU [has signaled](#) that it will prioritize the preservation of academic instruction. It also has signaled an interest in preserving employment, perhaps through graduated salary reductions that are least impactful on the lowest earners.

### Requests

We recognize the state faces a significant fiscal challenge during a time of economic disruption that is simply unprecedented in modern times.

We request your best efforts to minimize impacts to higher education and to WSU. As has been referenced, much of the university continues to operate at Great Recession era service levels. WSU since the Great Recession has expanded its reach to provide new service to new students and new communities, ultimately on the same state appropriation seen a dozen years ago.

We additionally request that any reductions are not prescriptive so that the university has the opportunity to administer them strategically to preserve priority programming.

We look forward answering any questions you may have and to working in partnership in this current economic challenge.