

June 8, 2020

TO: David Schumacher
Director, Office of Financial Management



FROM: Joel Klucking
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SUBJECT: IMMEDIATE ACTIONS TO CAPTURE OPERATING BUDGET SAVINGS

On May 13, the Office of Financial Management (OFM) asked Central Washington University (CWU) to model and plan for a scenario in which state appropriations are reduced by \$9.9 million or 15 percent. At the time of the request, CWU already lost \$16.6 million in non-tuition student revenue in the second quarter of 2020. Students didn't return to campus after spring break; their absence created a \$19.5 million deficit in auxiliary services: housing and dining services, the Wildcat Shop (bookstore), parking, and other services students need and pay for. Combined with tuition, students provide about 67 percent of all university funding.

On March 19, 2020, the Kittitas County Public Health Officer ordered CWU to close all its facilities through June 30. The public health order also directed CWU to instruct students who had left for spring break not to return for spring quarter.

Later the same day, CWU immediately announced austerity measures that continue to save millions of dollars:

- Suspended all travel
- Froze all hiring
- Froze all non-essential purchasing

Thanks to CWU's quick action, use of reserves, \$3.8 million in federal CARES funding, CWU was able to close its \$19.5 million gap spring quarter.

On March 20, the CWU Board of Trustees declared a state of financial exigency, in recognition of the extraordinary loss of revenue resulting from the stay at home order for spring quarter and the cancellation of all revenue-generating events through the summer. With the uncertainty of what will happen with enrollments and housing this fall, the additional 15% reduction in state appropriations could be a crippling blow on top of the other compounding financial woes unique to residential campuses like CWU.

On June 5, President Gaudino announced that temporary workforce reductions will be implemented in July and August. These reductions will occur through the use of university-wide furloughs (temporary layoffs) and unpaid cyclic leave (reductions in individual percent FTE). The result will be a significant reduction in non-faculty staffing for most of the summer, affecting 1,050 of 1,200 employees.

The decision was made through faculty union negotiations and administrative authority to remove the anticipated 3-percent cost-of-living adjustments (COLAs) for all faculty and exempt staff for fiscal year 2021. These austerity measures are projected to achieve an estimated \$10.3 million in savings over the course of the next fiscal year.

Going forward, CWU's financial stability depends on what happens in the fall. On May 26, President Gaudino announced that the fall term would begin two weeks early. A number of precautions will be put

in place to effect social distancing, implement campus-wide use of PPE, and enhanced sanitation activities in order to position the campus for in-person student services, to the greatest extent possible.

Under-enrollment will reduce tuition revenue as well as auxiliary revenue. For example, should residence halls achieve only half occupancy, CWU would face a budget shortfall of about \$17 million in lost revenue. If the situation deteriorates and fall term must be conducted completely remotely, the shortfall balloons to \$27 million.

It is extremely unlikely that CWU will realize “normal,” fully operational residential campus enrollment and student services. It is equally unlikely that the proposed 15-percent reduction in state support can be absorbed through the austerity measures and summer workforce reduction.

We anticipate reduced enrollment, but it is not possible at this time to gauge the degree of the reduction. Given this likelihood, and its impact on nearly all fund sources, the compounding impact of the state funds reduction would likely lead to a significant permanent workforce reduction. Unfortunately, approximately 70 percent of the entire CWU operating budget goes toward the salaries and benefits of its employees. FTE reductions are the only way to make large-scale cuts in the budget.

Impacts of such a reduction will adversely affect:

- Program and course sections and availability, reducing access to education and impacting a student’s time to complete their degree;
- Investments in student success, such as advising, tutoring, outreach, and retention; this will reduce retention and graduation rates
- Compliance areas, increasing risk and exposure;
- Economic security for our employees, their families, and the local economy.

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