

**Notes from the HECB meeting with Presidents
September 16, 2010**

Don Bennett

We can either be blown around or take charge of where we are going. This is an unprecedented time and we won't know if we succeeded until history writes the final chapter. We have been engaged in a substantial amount of preliminary work to determine where we stand with respect to the state revenue picture. Will we be looking at the need to cut budgets even beyond the 6 percent across-the-board cuts just ordered by the Governor? All of our institutions have requests and expectations. Our role at the HECB is to help define how these requests can be framed in the form of policy decisions, to participate fully in a discussion with the institutions, and, in the end, facilitate the process.

Jim Reed

Illustration on screen shows on the left current authorized biennial budget not reflecting the reductions announced today. The next step is to calculate the carry-forward cost of the 2009-11 budget. This was calculated by OFM to be \$3.291 billion as of last June. Next you translate carry-forward to maintenance (contractual) level. Our estimate is \$3.322 billion plus any additional policy changes (normally these are additions). This is the money needed to continue to provide the same level of service we are currently providing. On the right of the chart we look at different potential funding possibilities for higher education based on the share of total state revenue we might receive. Again, this is based on the most recent revenue forecast. A 10 percent share of the NGF-S would result in funding of \$3.34 billion for higher education. A 9.5 percent share would yield \$3.2 billion, and a 9 percent share would yield \$3 billion. It is obvious that a reduction of one percent in higher education's share of state revenue would represent a budget substantially below maintenance level. Why would we assume 10, 9.5 and 9 percent? This is only an estimate of what could happen. As the state budget goes down, not all programs go down. When other sectors get looked at, it may not be the best bet that higher education will remain at 10 percent. A big part of the budget that cannot go down is Medicaid.

Jesus Hernandez

Can you share with us your thoughts about what this means to your rebasing effort?

Elson Floyd

The effect of three successive years of budget cuts has been devastating. As we look at the erosion of the economy and the subsequent reductions in support, the greatest challenges are access and quality. The pie charts introduced here show us how the dollars are going rapidly down. The HECB needs to serve as the champion for our higher education system and say 'enough is enough.'

The reality is we need a funding floor guarantee. It would also be helpful to change state law to foster greater flexibility – we need to advance policy issues that will give us the freedom and flexibility to administer budgets in a responsible manner.

There is a false perception that there is waste in higher education. The reality is that across all sectors we have been cut to the bone and these cuts are affecting both access and quality. Our modest plea is to build the next higher education budget on the principles of access and quality. And what we need from the HECB is advocacy for higher education with the Legislature. The HECB is invaluable – an independent arbiter associated with the public for our colleges and universities.

Over the years the Legislature has assumed more and more authority over higher education. But now there is new leadership coming. There is a hole that will need to be filled. Before we go to the Legislature we have to set a package. We have a choice. Will we forge a consensus or will we continue to represent our own institutions?

Tuition has been a volatile issue – a no-win issue. Last session we were not able to get the votes in the House to support increased tuition flexibility. This year we should not be evaluated on one issue. We will need political support from all sectors, from all interest groups. Increasing financial aid is a key challenge, for example, as well as restoring a funding base that prevents further erosion of capacity and quality.

We have made progress in this regard. We are making incremental progress. We need the HECB to help us make further progress – to help us negotiate a proposal before it is advanced. This is a potential hot potato for the HECB – and it will require hard decisions.

Les Purce

We need to be allowed to manage our budgets in a more responsible manner. Tuition *will* be an increasingly flexible tool. But the HECB's role and responsibility for financial aid is a critical factor. We need to ask ourselves what these continuing reductions will do to future students? What about the state's commitment to financial aid? We need a floor for financial aid. Such a commitment would give us a greater level of predictability. It is very difficult to plan for reductions that are still unknown. We need your help to get the message out that we are trying to serve students. We need to increase the number of baccalaureate degrees we are producing as a state. The health of our state is at stake.

Phyllis Wise

What are we doing? We are talking with our deans and others about how to increase revenue, how to increase efficiency and decrease costs. These discussions are absolutely essential. How can we best invest now so that in the future we can do a better job.

Charley Earl

We're not alone in Washington. I couldn't agree more with student needs, job needs, the need to rebuild the economy. The HECB needs to help us. People need us. I think it's hard for us to adopt one message because of with the economic reality we are facing, we are now dealing with four budgets. We have the additional across-the-board cuts to this year's budget ordered by the Governor today. We have a revised supplemental budget. We have our 2011-13 biennial budget requests... and we're trying to clarify student need. We are trying to keep all of these straight – and it's not easy. Our employees are being jerked around. Our solution is a mix of state support, student money and efficiencies. We can all demonstrate 20 percent efficiency gains per student over the last two years.

Jim Gaudino

There is a false assumption we make about the concept of access. Access is meaningless without quality. We need to provide an environment in which a student succeeds. Les made a point on predictability. We're all re-tooling, but to an uncertain point.

Bill Grinstein

The Board is on record as supporting tuition flexibility and differentiation. To address these concerns it is helpful to us to know the impact reduced financial aid will have on enrollment. This might be a very important part of our message.

Les Purce

A 30 percent cut in financial aid equals \$1.8 million or about 235 FTE.

Bill Grinstein

It would be helpful to aggregate this in relation to budget decisions all institutions will face, including the independent institutions, who account for a large percentage of total enrollment.

Mike Riley

This is a major part of the HEFT discussion – what do cuts trigger. Financial aid is a big component. Lack of aid forces many students to go part-time. There is a differential across ethnic and income groups.

Phyllis Wise

We are committed to diversity – racial and economic. We have to continue to change how we think about this. We are committed to Husky Promise. We are increasing class size. We are pursuing measures being used by other universities.

Jim Gaudino

We are faced with many short-term decisions that have long-term implications. For example, we are redirecting endowment gifts to serve students. We are at risk of unraveling a university system because of uncertainty. We need to figure out what we can do to make decisions for our higher education institutions.

Les Purce

We are working hard on one area of importance identified by the HECB – performance and efficiency. The HEFT task force has asked us to identify some performance indicators referencing those policies. If you look at the number of students we serve, we are performing at as high a rate possible.

Gene Colin

How can we do a better job of being there for you?

Les Purce

I'd make some observations on the system. The presidents of the baccalaureate institutions have spent a lot of time together. The HECB experiences have been positive. You (the HECB) suffer from the same thing we do – strategic planning tends to become unhinged in this type of economic environment. All of us have found ourselves searching for clarity. There are disconnects internally when institutions all try to convey their own messages. We have many common messages. Financial aid is a good message. The state has a set of strategic directions that should play a major role. But when we needed a common voice all of us were not there to deliver it. A Regent at the UW criticized the HECB for not being there on the issue of tuition-setting authority. Did we miss the mark? Was the mark untenable?

Charley Earl

We share the HECB's perspective. In the near term our state institutions need maximum flexibility. There is a big role to play on issues like transfer capacity upper/lower-division courses, huge student demand, changing resources. We have to rely on the HECB for broad policy issues – knowing what the parameters are. We have a lot of well-meaning legislators who want to fix this situation.

Bill Grinstein

We're all in this together. The Strategic Master Plan set goals – qualitative – right now those goals aren't achievable – and that is a major part of what we are talking about. This discussion has provided a realistic look at where we are now – and I hope we continue to talk about these issues in the context of state and system goals, because if we have a fiction of goals that aren't achievable we may as well not have them. We should be indicating what the consequences are of not reaching our goals – on our workforce, economy, and society.