

July 12, 2007

From: Dean Hal Salwasser

To: College of Forestry

Subject: College Reorganization and Decisions Relevant to Future Budgets

Dear Colleagues,

The purpose of this open letter to the College is to inform you of my decision to reorganize the administrative structure of the College from 4 departments to 3, to reduce total Associate Dean's level FTE by 1.0, and to document a host of other decisions and events affecting our future. FEC, CFAC and Advisory Teams have deliberated long and hard on all of what follows and I made commitments to legislators and stakeholders that if they would support appropriation and harvest tax increases, we would do our part to reduce administrative costs in order to leave as much teaching, research and extension delivery capacity in place as possible. Our Provost and President have made clear that student success and scholarly excellence are paramount for the university's future. Our decisions and results from the legislature help keep them paramount for us as well.

### **Where we Started on All This**

A year and a half ago, we recognized a growing gap between expected revenues to the College and anticipated expenditures as we were then staffed. Most of the gap was created by rapid increases in the costs of benefits that were not matched by appropriation increases. That caused us to halt some faculty searches and to initiate a hard look at how we must reconfigure our revenues and expenses over the coming years. Due to our great fortune in having endowments for programs and revenues from College Forests, we had cash reserves that allowed us to be deliberative and incremental in our decisions. We began communicating our situation and our strategy openly and frequently with all who cared to listen and provide input.

You may recall my description of a 4-pronged strategy:

1. reduce expenditures,
2. increase revenues from the state,
3. obtain a match to any increases in the FRL appropriation through a harvest tax rate increase, and
4. be successful in our Capital Campaign.

In combination these 4 actions would need to address an estimated \$4 million gap between expected revenues and projected expenditures by FY2010. The gap at the time, FY2006, was almost \$3 million and we were filling it each year with dwindling resources from cash reserves, an unsustainable strategy.

### **Some Surprises**

We have stayed with the 4-pronged strategy and we are seeing some success. We also had a few surprises along the way. First, the surprises. When Congress concluded its FY2007 budget last winter, we lost around \$700,000 in the annual Wood Utilization Research Special Grant and gained around \$260,000 in an increased McIntire-Stennis allocation because some of the WUR money was added to the McIntire-Stennis appropriation. The rest of the WUR money was given to Hatch with no report language

on how it was to be allocated. WUR had funded faculty salaries and graduate students. It created an unexpected decrease in revenues, exacerbating the immediate gap.

There remains much uncertainty about the Wood Utilization grant. A team of program leaders from each WUR institution, including Tom McLain and Steve Tesch, is working with respective Congressional delegations to get the grant restored in the FY2008 budget. At the same time, the leaders of the National Association of University Forest Resources Programs (NAUFRP), including me as President Elect, are working to at least get the amount of the historic WUR grant included in the McIntire-Stennis appropriation if WUR is not funded. This would only be a partial solution for our loss but at least some funds would flow.

The second surprise came last week. Our outstanding Development Director, Lisa French, announced she is leaving for a new job in the Portland area beginning next week. While this is a wonderful opportunity for Lisa and we are grateful for all she has done for the College, the timing could not be worse for us. We are just months away from the public phase of the Capital Campaign, without a senior Director of Development. This will severely impact our immediate ability to use personal relationships to reach potential donors. It will set us back on the effectiveness of the Campaign in our overall budget strategy. I sincerely hope we can find the right person for our needs prior to the Campaign kickoff this fall.

### **Expenditure Reductions**

Let me now turn to our 4-pronged strategy and to Tactic 1: expenditure reductions. On June 29, FEC decided to reduce administrative costs in the College by eliminating 0.60 FTE from current Associate Dean responsibilities (we have not determined specifically how Research and Academic Affairs leadership will be allocated yet, just that we will devote .6 FTE less to them at the Associate Dean level) and eliminating the costs associated with one fully staffed department. To help us be more strategic in reorganization, next week I will appoint a team of faculty lead by Tom McLain to work on pros and cons of different ways to reconfigure existing professorial faculty and programs into 3 new departments. I expect some very exciting and compelling possibilities for presenting a new image and a new reality in how we deliver our world class programs in the future. I encourage your creative thinking on this. When the small team is done with their work in a couple months, we will engage the whole College community in open discussions about the pros and cons of the several most compelling configurations. This action will reduce College administrative costs by nearly \$500,000.

Earlier, FEC approved recurring cost reductions in College Forest operations of \$235,000 per year. We shifted some computing service costs to grants and contracts, gradually reducing College expenditures by about \$99,000 by FY2010. We also reduced Computing Resources' FY08 budget by \$100,000. We reduced expenditures in International Programs by around \$75,000 per year by reducing the Associate Dean FTE for IP from 0.50 to 0.10 and eliminated college support for the director position. These actions do not eliminate International Programs from the College but will impact how much we can do.

Beginning next year we will charge course fees for courses with high lab or field expenses. This is expected to generate around \$25,000 in new revenues, though at a cost to students. The position we created in 2005 for College Forest Academic Support has been eliminated, reducing expenditures by around \$79,000 per year.

Collectively, we estimate the above expenditure reductions to reduce the projected FY2009 gap by about \$1 million. It could end up being a bit more or a bit less when fully implemented but it is in the ballpark of what we needed to achieve with immediate

reductions. With these actions the gap would be an estimated \$2.9 million in FY2009 instead of the \$3.9 we were seeing without expenditure reductions.

There are still several other possible expenditure reductions we are working on. One involves having more core courses taught by Professorial faculty, relieving the need to hire fixed term instructors. While this will not be universally possible nor desirable in some cases, we expect to save at least \$100,000 and perhaps as much as \$200,000 per year in fixed term costs. We will reduce costs associated with undergraduate recruiting but maintain much of our existing capacity as the investment has richly rewarded us with enrollment increases that will greatly benefit employers and eventually the College as OSU budget rebasing looks at rewarding Productivity. I have asked Provost Randhawa to explore a different model for covering costs of administering the undergraduate Natural Resources degree. Right now the College covers much of the cost but students from other colleges participate. We hope to reduce costs by about \$100,000 on this. I have also asked the Provost to consider historic inequities in the University's budget allocation process that have penalized the College by at least \$200,000 per year by not accurately assessing the full cost of delivering our education programs. We do have the Provost's support for initiating Resource Fees for students to partially cover the costs of our computing services. This would increase revenues by around \$150,000 per year. We also reduced funding to targeted research programs by about \$35,000 per year. All these estimates are just that. We won't know actual numbers until decisions are fully implemented. They could amount to around \$500,000, the remaining expenditure reductions we need to make over the next few years, but there is much uncertainty on how they will play out.

Other items still too premature for decisions involve the Forestry Media Center, Forestry Communications Group, and incentives for faculty to voluntarily reduce their Tenure/Tenure Track FTE.

### **The Legislative Session**

Tactic 2: revenue increases. Working with the Agricultural Experiment Station and Extension Service, the Forest Research Laboratory put forward a recommendation to OUS last summer for substantial increases in appropriations of General Funds to the three Statewide Public Service Programs to begin restoring capacity lost since FY2001. OUS and the Board of Higher Education ultimately recommended a Policy Option Package to the Governor that would have delivered an additional \$1.1 million in the FRL appropriation annually, less than we asked for and only about half of what we would need to fully restore lost research capacity if the harvest tax rate was adjusted to match appropriation increases. The Governor proposed an annual increase of \$400,000 to the legislature, a little more than 1/3 of OUS' recommendation. The Co-chairs of Ways and Means started their budget process in March with no increase. Many hours and many miles later, we emerged in late June with an increase of around \$375,000 in the annual FRL appropriation and a tax rate increase of 25 cents effective May 2008. Together with other increases in appropriations to OUS for Essential Budget Level roll up, salaries and retention funds, these moves close about \$660,000 of the projected annual budget gap. The increase in harvest tax rate closes a like amount, meaning that our work with the Governor, legislature and those who pay the harvest tax, reduced the original projected gap by an estimated \$1.3 million. Adding these new revenues to the expenditure reductions made under Tactic 1, the projected gap in FY2009 would now be around \$1.3 million instead of the \$3.9 it would have been without the above reductions and increases. This is major progress on the budget problem identified 18 months ago but it only slows the bleeding and buys us more time and flexibility than we would have otherwise had.

Tactic 3: harvest tax. I need to say a few words about the increased harvest tax rate. Those who pay the tax do not like paying more taxes but they believe an increased investment to the FRL is in their best interest, a declining research capacity without the increase would not be in their long-term interest. The increase is among the largest for a single biennium. It comes after 7 years of no increase. It comes with expectations that our research will directly address major needs of those who pay the tax. These needs are generally reflected by our major college-level research initiatives and new Centers, plus undergraduate education and forestry extension. We will manage our total budgets to maintain and in a few cases increase capacity in all three mission areas by placing more faculty salary FTE on the new harvest tax dollars, freeing that amount of General Fund salary to go toward education or extension in appropriate cases. But, since we are still playing catch up on total cost increases since 2001 that have still not been fully matched by appropriation increases – the remaining gap -- the best I can say overall is that we won't have to cut as deep as we would have without the incremental increase achieved thus far.

### **Campaign Success**

Tactic 4: Capital Campaign. On the Campaign front, we received a significant gift from alum Rick Strachan to endow a chair in Forest Engineering. We will fill this chair through an internal search. Next year the endowment will start yielding earnings that will free an estimated \$150,000 in annual General Fund revenues that will be used to support other faculty and programs in the College. Each endowed chair we create through the Campaign will be judged case-by-case on whether it will be suitable for internal search or external search.

### **Summing up Progress to Date**

We have come a long way since winter 2006. We have taken a significant chunk out of the original budget gap but we still have much work to do. Some will be with the Provost as he unveils the OSU realignment plan this coming fall. Some will be with stakeholders and legislators preparing for the next legislative session. Some will be with Congressional members on Special Grants and programs for federal support. Some will be with donors in the Campaign. A lot will be with you as we work through the internal disruptions that change always brings.

The bottom line financially is that if we succeed in several of the remaining actions, we will have turned our \$4 million gap by FY2010 into less than a \$1 million gap by FY2009 and we will NOT have depleted our cash reserves. We will have the next legislative session to close the remainder on the state side and with the Campaign in full swing, growing enrollments and a robust and diverse research program perhaps we will be ready to begin rebuilding capacity with some new hires.

The bottom line programmatically is that all our degree programs are still intact and we will be able to retain all current professorial faculty and most of our other faculty and staff for the foreseeable future. I expect it will be at least another year, maybe two, before we have enough clarity on future budgets to begin filling vacant positions with the possible exception of extension forestry.

I am convinced the three-department College configuration will enable us to maintain our programs, build on our current strengths, and explore new ways to increase student success and discovery through scholarship. College leadership is enthusiastic about the potential for this reorganization to create new synergies and collaborative opportunities for faculty. I genuinely view this as a positive move and am convinced we will be a stronger institution for having taken this bold step. This year we have celebrated the College's Centennial, one hundred years of accomplishments we can all be proud of and

a reputation for excellence second to none. What we are about to do will strengthen our position as the premier academic forestry institution.