Fiscal Year 2014
Budget Recommendations

As of October 8, 2013

Prepared by

University Budget Office

Contributions from

University Planning and Budget Committee, and Budget Oversight Group

[Page intentionally left blank]

GALLAUDET
UNIVERSITY

OFFICE OF THE PRESIDENT

October 8, 2013

MEMORANDUM

TO: Gallaudet University Board of Trustees

FROM: T. Alan Hurwitz, President T. Alan Hurwitz

SUBJECT: Fiscal Year 2014 Budget Recommendations

Attached please find the proposed Fiscal Year 2014 budget proposal.

The University Planning and Budget Committee (UPBC) and the Budget Oversight Group (BOG) recommend a FY 2014 operating budget of $166.6 million including a capital budget of $23.8 million. This budget reflects a $5.1 million, or 3%, decrease compared to the FY 2013 operating budget.

We appreciate the hard work of the UPBC and the BOG in their effort to address the recent cuts in our appropriation because of the FY 2013 sequestration and the many unknowns associated with the current political situation regarding FY 2014.

Please know I have reviewed the attachment and recommend adoption of this budget for Fiscal Year 2014.

We know the Board will exercise its due diligence in its review of these budget recommendations.

cc: President's Cabinet

ATTACHMENT

College Hall • 800 Florida Avenue, NE • Washington, DC 20002-3695
(202) 651-5005 • (202) 651-5508 (fax) • president@gallaudet.edu • www. gallaudet.edu

[Page intentionally left blank]

The FY 2014 budget recommendations reflect contributions made by UPBC during spring 2013 and final recommendations made by BOG during summer 2013

Gallaudet University Planning and Budget Committee (UPBC)
Patricia Hulsebosch, Co-Chair
Debra Lipkey, Co-Chair

Isaac Agboola, Dean, College of Liberal Arts, Sciences, and Technology
Mel Batten-Mickens, Executive Director, Facilities
Dwight Benedict, Dean, Student Affairs
Jean Cibuzar, Executive Director, Finance
Carol Erting, Dean, Graduate School and Professional Programs
Reed Gershwind, Assistant Professor, Department of Business
Susan Jacoby, Executive Director, Planning, Development, and Dissemination
Richard Jeffries, Training Specialist, Clerc Center
Susan King, Interim Associate Dean, Graduate School and Professional Programs
Cindy Officer, Coordinator, Adult Degree Programs
Earl Parks, Executive Director, Gallaudet Technology Services
Nicole Sutliffe, Executive Director, Clerc Center Administration and Operations
Danielle Yearout, Executive Director, Development Operations
Fred Weiner, Interim Assistant Vice President, Administration and Finance

Gallaudet Budget Oversight Group (BOG)
Debra Lipkey, University Budget Director (BOG facilitator)

Alan Hurwitz, President (ex-officio member)
Donald Beil, Chief of Staff
Edward Bosso, Vice President, Laurent Clerc National Deaf Education Center
Charity Reedy Hines, Interim Chief Enrollment Management Officer
Paul Kelly, Vice President, Administration and Finance
Lynne Murray, Vice President, Development and Alumni Relations
Earl Parks, Executive Director, Gallaudet Technology Services
Stephen Weiner, Provost

Resources provided by:
Jean Cibuzar, Executive Director, Finance
William Hughes, Assistant Treasurer
Elaine Vance, Director, Human Resources Services

[Page intentionally left blank]

Table of Contents

[Page intentionally left blank]

EXECUTIVE SUMMARY

The Budget Oversight Group recommends to the President a fiscal year (FY) 2014 operating budget of $166.585 million, a 3 percent **decrease** compared to the FY 2013 Board of Trustees-approved budget. The table below summarizes the proposed FY 2014 operating budget—

OPERATING BUDGET BY SOURCE OF FUNDS (dollars in thousands)				
Source of Revenue	**FY 2014 Proposed Budget**	**% of Total**	**FY 2013 Budget**	**% of Total**
Federal Appropriations – Operations	$111,393	67%	$117,500	68%
Tuition and Fees	24,749		23,000	
Less: Scholarship Aid	(7,970)		(7,400)	
Net Tuition and Fees	16,779	10%	15,600	9%
Grants and Contracts	5,600	3%	6,000	3%
Investment Income – Operations	7,150	4%	6,200	4%
Auxiliary Enterprises	21,361	13%	21,400	12%
Contributions	3,000	2%	3,000	2%
Other	1,302	1%	2,000	1%
Total	**$166,585**		**$171,700**	

OPERATING BUDGET BY NATURAL EXPENSE CATEGORIES (dollars in thousands)						
Natural Expense Category	**FY 2014 Proposed Position Allocation**	**FY 2014 Proposed Budget**	**% of Total**	**FY 2013 Position Allocation**	**FY 2013 Budget**	**% of Total**
Payroll (includes both centralized payroll and non-centralized payroll)	930	$102,630	62%	964	$106,900	62%
Utilities		$5,800	3%		$6,900	4%
Depreciation		$12,300	7%		$13,100	8%
Interest on Bonds		$2,064	1%		$2,064	1%
Professional Fees/Service Contracts		$18,557	11%		$17,800	10%
Consultants and Advisors		$4,851	3%		$5,400	3%
General Office Expenses		$7,406	4%		$5,000	3%
Furniture and Equipment		$1,570	1%		$2,000	1%
Travel and Transportation		$1,983	1%		$1,500	1%
Other non-payroll		$7,424	4%		$9,036	5%
Contingency		2,000	1%		$2,000	1%
Total	**930**	**$166,585**		**964**	**$171,700**	

Note: Percent of total does not add to 100 percent due to rounding.

In FY 2014, Gallaudet will mark its 150th year since it was authorized to confer college degrees. It was 1864 when President Abraham Lincoln signed into law a bill authorizing the institution to confer college degrees. During this coming year we will celebrate both the continuity and the change our campus has seen, including Gallaudet's impact on the world, and underscore the University's leadership role on the local, national and international level.

In his 1994 Commencement address at Gallaudet, President Clinton recognized the important achievements of Gallaudet when he said,

"You students of Gallaudet University who have struggled so mightily, first for simple dignity and then for equal opportunity, have built yourselves-and in the process you have built for the rest of us, your fellow citizens of this country and the world-a much better world. You have regiven all of us our hope. Gallaudet is a national treasure. . .[President Lincoln] had the vision to see not just farmland and a tiny school, but the fact that we could use education to tear down

the walls between us, to touch and improve the lives, and lift the spirits of those who, for too long, had been kept down."

In fact, all of us who have, or have had, the privilege to attend Gallaudet, or work and/or serve the University know, without a doubt, that **Gallaudet is a national treasure** and will continue tearing down walls and improving the lives of deaf and hard-of-hearing individuals, despite the financial challenge we face today. While we have much to celebrate, we must recognize the significant budget challenge presented to us.

The FY 2014 budget was prepared during a period of fiscal uncertainty and challenge. Normally, the coming year's budget is prepared during the preceding winter and spring. However, in spring 2013, mid-way through the fiscal year, Gallaudet became aware that its appropriation –the largest source of revenue–- would be cut by 5.23 percent or $6.1 million. Consequently, responding to the mid-year appropriation cut became the first priority while formulation of the FY 2014 budget was postponed to summer. Because many members of the University Planning and Budget Committee (UPBC) are not available during the summer, the President tasked the Budget Oversight Group (BOG) to pick up where the UPBC left off to complete the FY 2014 budget formulation during the summer months.

Arguably the largest challenge Gallaudet faced in FY 2013 was the sequestration.[1] The result of the sequestration was a 5.23 percent (or $6.1 million) cut to Gallaudet's federal appropriation. While this posed a great challenge, the University remains focused and committed to achieving the Gallaudet Strategic Plan (GSP) and the Clerc Center Strategic Plan (CCSP). The administration recognizes that, to achieve the GSP and CCSP, it must work through difficult decisions and difficult times. The $6.1 million appropriation cut called for University administrators to assess the impact, and develop and agree on mitigating actions that would assure a balanced operating budget. In addition to our commitment to our strategic plan, the administration also recognizes the importance of attracting and maintaining adequate staff to support those plans. Like public colleges facing declining operating appropriations, Gallaudet has continued to focus on progress despite reducing the number of employees. However, due to declining appropriations our employees have not received base salary increases[2] resulting in declining morale. Despite the significant financial challenge faced by the University in FY 2013, the administration balanced the budget and avoided implementing what many public colleges have been forced to do, that is, instituting furloughs, pay cuts, or layoffs.

In light of a FY 2013 cut of 5.23 percent ($6.1 million) to our appropriation cut, the Budget Oversight Group recognized the immediate need for FY 2014 is to identify strategies to—

- assure a balanced the budget,
- restore the contingency fund/planned operating surplus to allow for sufficient flexibility to allow for unforeseen expenses,
- position the University to continue moving forward on the GSP and the CCSP,
- shift resources from programs and areas of lower priority to those with higher priority, and
- preserve the University's uniquely knowledgeable and skilled workforce needed to carry out its mission.

Preparing the FY 2014 budget presents a significant challenge to direct and re-direct resources appropriately to take the University into the future. The FY 2014 budget formulation evaluated the outlook for its revenue streams and expenses.

With regard to revenue, the University anticipates that—

- federal funding for operations will remain at the FY 2013 level (i.e., 5.23 percent or $6.1 million less than the FY 2012 level), with no appropriation for construction,
- investment income will reflect the recovery of the investment market in recent years as well as an approximate $750 thousand increase in yield associated with the May 2013 Board of Trustee's decision to invest $15 million of current unrestricted undesignated net asset funds to become part of the Board approved Quasi endowment fund,

[1] Sequestration is a term used to describe the practice of using mandatory spending cuts in the federal budget if the cost of running the government exceeds either an arbitrary amount or the gross revenue it brings during the fiscal year.

[2] Gallaudet awarded a one-time lump sum award to employees in FY 2011.

- net tuition revenue will increase, primarily due to the 8 percent tuition rate increase that took effect fall 2013,
- auxiliary enterprises revenue is essentially flat and remains below the FY 2012 level due to the U.S. Federal Communication Commission's (FCC) regulatory changes resulting in the loss of a net $2 million of revenue from video relay services (VRS). The FY 2014 auxiliary revenue forecast reflects the 9 percent increase in room rate; however, dorm occupancy rates are not meeting the targeted level.
- contributions will be sustained at $3 million,
- grant revenue is expected to be down by $400 thousand reflecting the federal funding climate, and
- miscellaneous income is down reflecting a categorical correction and reduced demand for use of University facilities during the summer months.

Additionally, preparing the FY 2014 budget required extensive discussions to determine strategies that will reduce spending to balance the budget while minimizing the impact on implementation the GSP and CCSP. The University faces the same challenges as FY 2013; that is, how does Gallaudet continue its commitment to the strategic plans while redirecting resources and assuring that it can attract and maintain employees who carry out that work. With regard to spending, the Budget Oversight Group—

- recommended funding depreciation expenses ($12.3 million) and interest expense on bonds ($2 million);
- identified opportunities where budget reductions would have the least impact on operations, for instance—
  - savings from implementing energy conservation improvements realized savings earlier than expected and much of those savings will carry into FY 2014;
  - tight controls over the FY 2013 payroll such as not awarding pay increases and carefully choosing which vacancies to fill resulted in payroll savings that will carry in to FY 2014;
- asked division administrators to review their operations to identify budget reductions that would have the least impact on strategic plan implementation; division administrators identified $2.343 million of savings;
- agreed to further reduce the number of employees by 34 from 964 to 930; and
- recommended that the President be given the flexibility to award a pay increase to either all employees or to specific groups of employees in the form of an increase to the base or a one-time lump sum in the event that revenues exceed the budgeted amount (e.g., if Congress approves an operating appropriation greater than the FY 2014 budgeted expectation).

Proposed FY 2014 Capital Budget

Gallaudet expects to have three major sources of funds available for capital improvements in FY 2014 as discussed in the Capital Budget section that follows.

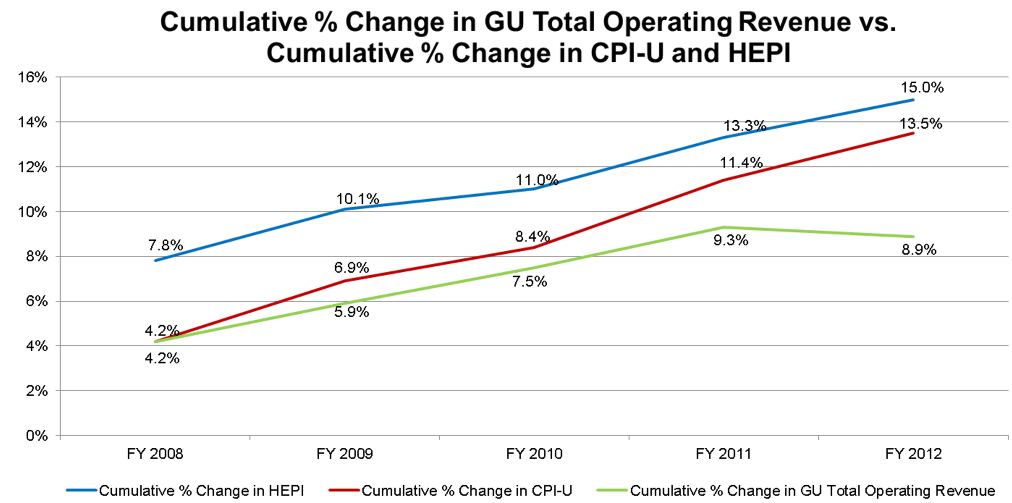
1. An amount equal to the projected depreciation expense for FY 2014, $12.3 million, to provide for annual reinvestment in, and long-term systematic replacement of, the physical plant.
2. The accumulated federal construction appropriations, $28.6 million as of September 25, 2013, intended for the construction of a new residence hall for the Clerc Center. From this sum, $10.1 million is expected to be expended in FY 2014.
3. The remaining balance of the tax-exempt bond proceeds, $1.4 million, which will be used to supplement the budget for the construction of science laboratories in Hall Memorial Building in FY 2014.

[Page intentionally left blank]

INTRODUCTION

While inflation has risen by approximately 13.5 percent over the past five years, Gallaudet's federal appropriation has decreased. Consequently, total operating revenues have not kept pace.

In light of a 3 percent decrease in total institution operating revenue, as compared to the FY 2013 Board-approved budget, coupled with an average inflationary index (CPI-U) for 2012 of 2.1 percent and a 1.7 percent increase in the Higher Education Price Index (HEPI), the University's purchasing power is falling behind. The cost of goods and services, are rising while the University's revenue is forecasted to decrease in FY 2014.



During this challenging time of declining federal funding, the University has demonstrated prudent financial management as demonstrated by recent years' net operating results. The University has stepped up efforts to increase revenue and decrease expenses by—

- Prioritizing both academic and non-academic programs resulting in elimination and closure of the less viable programs, and in some cases enhancement of existing programs;
- Designing and offering new programs to attract new students, and
- Investing in programs that could be expanded to serve the community such as the Hearing and Speech Center and Community Interpreting.

Since FY 2009 Gallaudet's appropriation has been at or slightly below $118 million. However, on March 1, FY 2013, amidst great public attention to reduce the federal deficit, the *Budget Control Act of 2011* was executed resulting in sequestration that translated into a 5.23 percent ($6.1 million) appropriation cut. The outlook for FY 2014 poses similar public concerns about the federal deficit, federal spending and the possibility of a second sequestration. Gallaudet's administration has worked tirelessly to justify the need for improved federal funding with our friends in Congress and with the U.S. Department of Education. These efforts seem to have been successful at convincing the U.S. Office of Management and Budget to include an FY 2014 Gallaudet operations appropriation of $117.541 million in President Obama's budget. Yet, the climate concerning passing a funding bill suggests that we will enter FY 2014 under a continuing resolution. Consequently, the FY 2014 budget is constructed on the assumption that the federal appropriation will be flat (i.e., $111.393 million). In light of this situation, the Budget Oversight Group recognized the immediate need for FY 2014 is to identify strategies to—

- assure a balanced the budget,
- restore the contingency fund/operating surplus

- position the University to continue moving forward on the Gallaudet Strategic Plan (GSP) and the Clerc Center Strategic Plan (CCSP), and
- preserve the University's uniquely knowledgeable and skilled workforce needed carry out its mission to the extent possible.

Preparing the FY 2014 budget presents a significant challenge to direct and re-direct resources appropriately to take the University into the future. The GSP strategy C.4.1 calls for the University *". . . to create mechanisms that reallocate resources to high-priority areas, including funding the strategic plan."* In recent years, the institution has undertaken several initiatives to achieve this strategy. In accordance with GSP Goal D that states, *". . . refine a core set of undergraduate and graduate programs that are aligned with the institutional mission and vision, leverage Gallaudet's many strengths, and best position students for career success*." Gallaudet completed a systematic prioritization of academic and non-academic programs. To assure resources are allocated to our highest priorities, the University asked the Program Prioritization Task Force (PPTF) and the Administrative Programs and Services Review Committee (APSRC) to prioritize existing programs. These efforts have led to reallocation of resources in alignment with the GSP and the CCSP. Additionally, the Provost established the New Program Review committee the reviews proposed academic programs for viability; and the University Planning and Budget Committee kicked off a mid-cycle review of the GSP in the fall 2012.

OBJECTIVE

The University's approach to budgeting continues to evolve with a focus on integrating planning, budgeting, and assessment. Using a thoughtful and rational process of self-examination and planning will enable the University to meet its purposes while supporting the opportunity for change and renewal.

The objective of the FY 2014 Gallaudet budget proposal is to recommend a budget that provides for—

- Strategically planning for operating results that, over time, will yield a Net Operating Revenues Ratio within the range of 2 to 4 percent,[3]
- Advancing the GSP and the CCSP,
- Shifting resources from programs and areas of lower priority to those with higher priority,
- Optimizing net tuition by maintaining a competitive pricing strategy (tuition rate and discount rate),
- Allowing for sufficient flexibility to allow for unforeseen expenses.

FY 2014 BUDGET FORMULATION PROCESS

The University Planning and Budget Committee (UPBC) was established in the fall 2011. The UPBC is made up of faculty, staff, and administrators from across the Institution. The guiding principles for budget allocation are summarized below. The full charge of the UPBC is found in Appendix A of this document.

Budget allocation guiding principles will be:

1. Conducted in a deliberative, participatory, and transparent manner.
2. Balanced, recognizing the important role of academic and administrative support in promoting student success, faculty and staff productivity, and overall program quality.
3. Based on programmatic contributions to one or more of the five GSP Goals, the three CCSP goals, and associated strategies.
4. Recognize the need to support faculty, teachers, and staff, who are key to advancing the five GSP goals and the three CCSP goals.
5. Recognize the primacy of instruction and learning, and the creation and dissemination of new knowledge.
6. Support policies that increase revenue streams justified by the market and mitigate actions that impact student success and access.

---

[3] Prager and Sealy recommend "For Private institutions or public institutions that use a spending rate, the Net Operating Revenue Ratio target should be at least 2 – 4 percent over an extended time period, although the target will likely vary from year to year.

7. Address the immediate, short-term budget issues while ensuring that the University emerges in the strongest possible position to accomplish our mission.
8. Acknowledge that budget unit heads are in the best position to recommend allocations within their units but recognize the ultimate budget authority of the President.

According to President Hurwitz, the UPBC serves *". . . in an advisory role with respect to Gallaudet's planning, resource allocation, and assessment, and will monitor and facilitate these activities."* The committee advises the President on the implementation and evaluation of the University's budget, strategic plans, and institutional assessment. As described earlier, in light of the FY 2013 sequestration cuts, the UPBC activities were put on hold to allow staff to focus on implementing strategies to balance the FY 2013 budget. Consequently, the President tasked the Budget Oversight Group with completing the task of formulating the FY 2014 budget.

Below is a list of key FY 2014 budget formulation activities.

Calendar of Budget-related Events October 2012 – October 2013	
October 1, 2012	Fiscal Year FY 2013 begins.
November 2012	UPBC kicked off the Mid-Cycle Update for the Gallaudet Strategic Plan.
December 2012	UPBC issued FY 2014 budget call for revenue forecasting
January 2013	UPBC issued FY 2014 budget call for 1) expense requests, including Divisions' expense budget requests, estimates for depreciation, utilities, and interest on bonds; and 2) priorities for FY 2015 request for federal funding.
	The Chief Enrollment Management Officer gave presentation to UPBC concerning enrollment forecasts.
February 2013	UPBC members presented on capital budget, campus master plan, revenue forecasts including:
	Tuition forecasts were discussed and a recommendation formulated. Investment income, initial auxiliary enterprises, grants, contributions, and miscellaneous income forecasts were shared and discussed.
March 1, 2013	Sequestration takes effect. Gallaudet University's FY 2013 funding is cut by 5.23 percent or $6.1 million.
April 2013	Presentations concerning employee salary treatment were given to UPBC by the Director of Human Resources, Executive Director of Administration and Operations from the Clerc Center, a faculty member from the Salary and Benefits Committee, and a staff member from the Gallaudet Staff Council.
	The President suspended UPBC's work on FY 2014 budget formulation so staff could focus on balancing the FY 2013 budget in light of appropriation cut.
May 2013	The recommendation to raise tuition and fees for fall 2014 is approved by the Board of Trustees.
March - July 2013	Budget Oversight Group held frequent meetings to address balancing the FY 2013 budget and formulating FY 2014 budget
July 2013	President's Office submits FY 2015 budget request to U.S. Department of Education.
	Budget Oversight Group approved a draft FY 2014 budget.
September 30, 2013	Fiscal Year 2013 ends.
October 1, 2013	Fiscal Year 2014 begins.
	Proposed FY 2014 budget presented to Board of Trustees for approval

STRATEGIC PLANS

Gallaudet University maintains the GSP comprised of five strategic goals and the CCSP comprised of three goals as shown below.

Strategic Goals

GSP Strategic Goals	CCSP Strategic Goals
A. Grow Gallaudet's enrollment of full-time undergrads, full- and part-time graduate students, and continuing education students to 3,000 *B.* By 2015, increase Gallaudet's six-year undergraduate graduation rate to 50% *C.* By 2015, secure a sustainable resource base through expanded and diversified funding partnerships and increased efficiency of operations *D.* By 2015, refine a core set of undergraduate and graduate programs that are aligned with the institutional mission and vision, leverage Gallaudet's many strengths, and best position students for career success *E.* Establish Gallaudet as the epicenter of research, development and outreach leading to advancements in knowledge and practice for deaf & hard of hearing people and all humanity	*1.* Students will reach their full potential linguistically and academically from birth through 21 years of age. *2.* The Clerc Center will provide leadership in the identification, evaluation, and dissemination of evidence-based instructional practices, strategies, and resources for deaf and hard of hearing students with disabilities through a national collaborative project with schools and programs. *3.* The Clerc Center will identify and disseminate resources to ensure that all deaf and hard of hearing children and their families have early and ongoing access to information that supports the development of linguistic competence.

The GSP and the CCSP establish the roadmaps that guide us as we strive to carry out the institution's mission. Since May 2009, the University has been working to implement the GSP and the CCSP. Over the past four years, the institution has seen some changes.

The GSP strategy C.4.1 calls for the University to create mechanisms that reallocate resources to high-priority areas, including funding the strategic plan. In recent years, the institution has undertaken several initiatives to achieve this strategy. For instance, GSP Goal D calls for the University to *". . . refine a core set of undergraduate and graduate programs that are aligned with the institutional mission and vision, leverage Gallaudet's many strengths, and best position students for career success."* Gallaudet completed a systematic prioritization of academic and non-academic programs. To assure resources are allocated to our highest priorities, the University asked the Program Prioritization Task Force (PPTF) and the Administrative Programs and Services Review Committee (APSRC) to prioritize existing programs. These efforts have led to, and continue to guide, reallocation of resources in alignment with the GSP and the CCSP.

New Program Review

Following issuance of the PPTF report, the Provost established a New Program Review Committee (NPR) to provide for administrative review of the viability of proposed new or significantly revised academic programs. During FY 2013, the NPR reviewed 8 academic program proposals, of which were 2 successfully passed through both NPR stages and were permitted to continue the program's development, 5 continue to seek stage 1 approval, and 1 proposal was turned down. The two programs passed by NPR included, EdD in Leadership and Policy, and PhD in Educational Neuroscience. The faculty leading the effort to establish the EdD in Leadership and Policy is currently preparing documentation to go before the Council on Graduate Education. The PhD in Educational Neuroscience was approved by the CGE, the Faculty Senate, and Board of Trustees and began this fall (2013).

Mid-cycle GSP Update

Another planning initiative underway is the mid-cycle GSP update launched by UPBC in the fall 2012. The mid-cycle GSP activity included—

- formally appointing Goal Leaders,
- making some changes to GSP objectives and strategies,

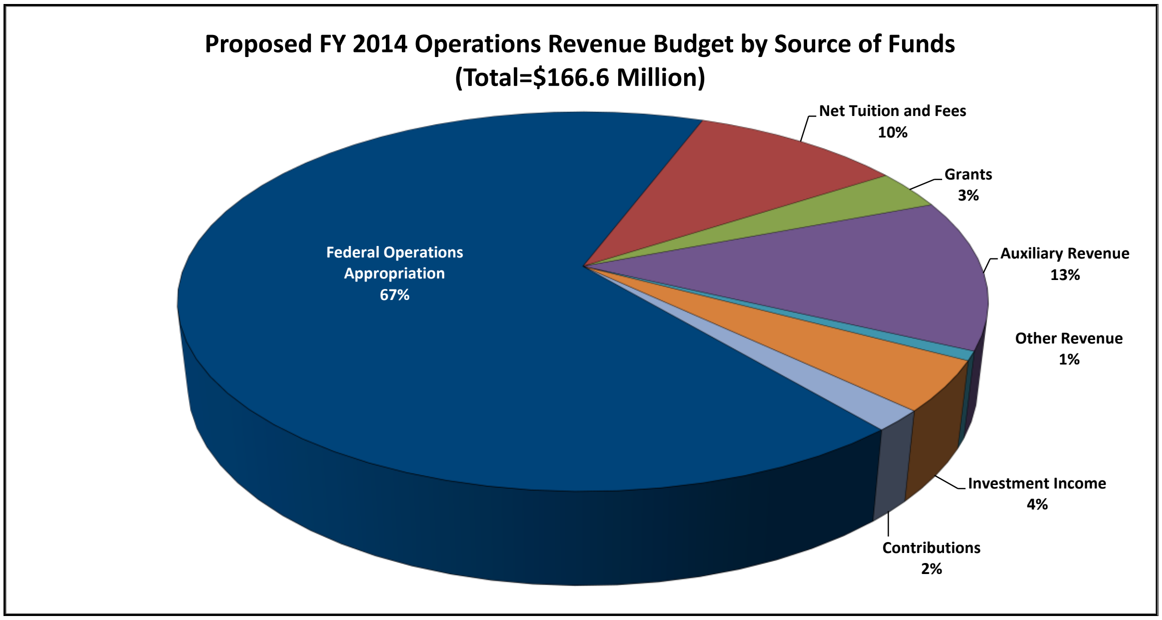
- developing action plans
- developing performance metrics, and
- assigning resources to carry out those plans.

The discipline of systematic operational planning tied to the GSP is evolving at Gallaudet. Goal Leaders are engaging colleagues from across the organization to collaborate on the above-mentioned activities. For instance, under Goal A, an Enrollment Council was established that includes the principal administrators and staff that are, or will be, responsible for carrying out strategies or action steps related to increasing enrollment. Similarly, under Goal B, a Retention Council was formed. Goal Leaders will continue to work on their action plans, develop performance metrics, and identify resource allocation in the coming months.

Similarly, in accordance with the GSP, the institution is investing in upgrading the campus. GSP Goal B calls for increasing Gallaudet's graduation rate to 50 percent, and creating an environment and support systems to encourage retention and successful completion. In the fall 2012, Gallaudet completed the 2022 Campus Plan (2022 Plan), and submitted our existing 2022 Facilities Master Plan to the District of Columbia Zoning Commission that was successfully approved. The 2022 Plan builds upon, and adjusts, the goals and concepts of the 2012 Plan to reflect the priorities set by the GSP and respond to the changes taking place in the surrounding community through an inclusive and data driven process. One example is the planned improvements on 6th street that are intended to build connections with our surrounding community as well as partnerships that may lead to future revenue streams such as retail leases. The renovation of Fay and Ballard Houses, given their proximity to 6th street, represent initial actions. Accordingly, and capitalizing on the successful conversion and the highly desirable Denison House from office space to a living and learning residence hall, the University undertook similar renovations of Fay and Ballard houses. The renovated residence houses incorporate the concept of 'Deaf Space' and provide students with a dynamic environment to 'live' and 'learn.'

Recently the Clerc Center completed the first phase of establishing its 2013-2018 strategic plan through a national priority setting process. Due to limited human and fiscal resources, work on goals/objectives the 2009-2012 Strategic Plan has been extended into FY 13 and FY 14. In the coming months, priority areas, goals and objectives will be established to guide the work of the Clerc Center for the next five years.

PROPOSED FY 2014 OPERATIONS REVENUE BUDGET



Revenue Budget

Gallaudet's operating revenues are comprised of the federal appropriation, tuition and fees, grants and contracts, investment income for operations, auxiliary enterprises, contributions and a small amount from miscellaneous activities.

In FY 2014, Gallaudet will mark its 150th year since it was authorized to confer college degrees. It was 1864 when President Abraham Lincoln signed into law a bill authorizing the institution to confer college degrees. During this coming year we will celebrate both the continuity and the change our campus has seen, including Gallaudet's impact on the world, and underscore the University's leadership role on the local, national and international level.

In his 1994 Commencement address at Gallaudet, President Clinton recognized the important achievements of Gallaudet when he said,

"You students of Gallaudet University who have struggled so mightily, first for simple dignity and then for equal opportunity, have built yourselves-and in the process you have built for the rest of us, your fellow citizens of this country and the world-a much better world. You have regiven all of us our hope. Gallaudet is a national treasure. . .[President Lincoln] had the vision to see not just farmland and a tiny school, but the fact that we could use education to tear down the walls between us, to touch and improve the lives, and lift the spirits of those who, for too long, had been kept down."

In fact, all of us who have, or have had, the privilege to attend Gallaudet, or work and/or serve the University know, without a doubt, that **Gallaudet is a national treasure** and will continue tearing down walls and improving the lives of deaf and hard-of-hearing individuals, despite the financial challenge we face today. While we have much to celebrate, we must recognize the significant budget challenge presented to us.

Federal Funding

On March 1, 2013, mid-way through the fiscal year, when the two houses in the U.S. Congress and the President could not reach agreement on how to reduce the Federal deficit as required by *the Budget Control Act of 2011*, sequestration was executed, imposing a 5.23 percent ($6.1 million) cut to Gallaudet's appropriation. In its FY 2013 Board-approved budget, the University had planned for a continuing resolution that would have held Gallaudet's appropriation flat and it included a contingency budget to hedge against risks such as threats from Mother Nature or a potential reduction to our federal appropriation. The amount budgeted ($2 million) for contingencies, however, was not enough to cover the loss of $6 million in appropriation revenue. Fortunately, savings from energy efficiency improvements and tight control over payroll expenses (i.e., careful prioritization and review of all requests for new hires) along with a one-time payout from our quasi-endowment fund provided effective means to mitigate the cut.

However, FY 2014 continues to present uncertainty with respect to our federal appropriation. At the time this budget document was prepared, we expect to have a two-month continuing resolution beginning October 2013 and continuing through November 2013. However, the possibility of another sequestration remains unless the U.S. Congress and the President agree on strategies to achieve the required savings required by *the Budget Control Act of 2011* or some other agreement. The potential sequestration amount for Gallaudet in FY 2014 is unknown. Consequently, we enter FY 2014 very guarded. While President Obama's budget has requested $117.541 million in appropriation for Gallaudet, this budget was prepared assuming a continuing resolution at the current appropriation level or $111.393 million.

As a result, the University's FY 2014 forecasted operating revenue is down by 3 percent versus the FY 2013 Board-approved budget (i.e., $167.150 million in FY 2014 versus the planned FY 2013 of $171.7 million).

Non-Federal Funds

Overall non-federal funds are expected to increase by 1.9 percent (i.e., FY 2014 $55.2 million non-federal funds versus FY 2013 Board-approved budgeted non-federal funds of $54.2 million) or about $1.032 million with small increases and decreases in some categories.

Net tuition and fees revenue is expected to increase by 7.5 percent due to the 8 percent increase in tuition effective fall 2013, a discount rate of 32 percent, and relatively flat enrollment. Auxiliary enterprise revenues reflect the second year of a five-year, 9 percent increase in room rates. Total auxiliary enterprise revenues are expected to remain relatively flat due to, in part, the second year without video relay services (VRS), and residence hall occupancy not reaching the targeted level. Investment income is expected to be up by 15 percent reflecting the improvement in the investment market along with the investment of $15 million of the current unrestricted undesignated net asset into the University's quasi-endowment funds that will yield approximately $750 thousand. Grant revenue is expected to be down by 7 percent further reflecting the heightened public attention to reducing the federal deficit and federal spending. Nearly all of Gallaudet's grant funds originate from a federal source. Contributions and revenue from other sources are expected to remain level in FY 2014. Miscellaneous income is expected to be down by $700 thousand due to a categorical correction and decreased demand for summer facility rentals.

The table below provides a breakdown of the recommended operating revenue budget by source of funds. A description of the basis for forecasting each component follows.

OPERATING BUDGET BY SOURCE OF FUNDS
(dollars in thousands)

Source of Revenue	FY 2014 Proposed Budget	% of Total	FY 2013 Budget	% of Total
Federal Appropriations – Operations	$111,393	67%	$117,500	68%
Tuition and Fees	24,749		23,000	
Less: Scholarship Aid	-7,970		-7,400	
Net Tuition and Fees	16,779	10%	15,600	9%
Grants and Contracts	5,600	3%	6,000	3%
Investment Income – Operations	7,150	4%	6,200	4%
Auxiliary Enterprises	21,361	13%	21,400	12%
Contributions	3,000	2%	3,000	2%
Other	1,302	1%	2,000	1%
Total	**$166,585**		**$171,700**	

Note: Percent of total does not add to 100 percent due to rounding.

Federal appropriation

FY 2014 Projected Federal Operations Appropriation
(dollars in thousands)

	Proposed FY 2014	Actual FY 2013	Budgeted FY 2013	Actual FY 2012	Actual FY 2011
Federal appropriation for operations	$111,393	$111,393	$117,500	$117,541	$117,764

Gallaudet does not anticipate any increase in its federal appropriations, which by far is the largest revenue source. The University has not seen an increase in its operational appropriation since FY 2009. In fact, across-the-board rescissions in FY 2011, FY 2012, and FY 2013 led to reductions in Gallaudet's operations appropriation. Federal appropriations were cut by 5.23 percent or $6.1 million dollars in FY 2013 due to the sequestration. We project that our federal appropriation will remain flat post-sequestration for FY 2014. As in years past, Gallaudet uses its operating appropriation to offset Education of the Deaf Act allowable expenses that support the institution's primary mission.

History of Federal Appropriated Funds
(dollars in thousands)

Fiscal Year	Total	Operations	Construction
2013	$118,951	$111,393	$7,558
2012	$125,516	$117,541	$7,975
2011	$122,754	$117,764	$4,990
2010	$123,000	$118,000	$5,000
2009	$124,000	$118,000	$6,000

Although economic activity in the United States is beginning to show signs of recovery in some areas, presently, there is no indication that federal appropriations will see any increase for the foreseeable future. The *Budget Control Act of 2011* passed by Congress and signed into law by President Obama, caused federal appropriations to be cut across-the-board in FY 2013. The University's funding was cut by 5.23 percent ($6.1 million) as a result.

The appropriation for construction over the past 5 years was specifically designated for the demolition of the old MSSD residence halls, stabilizing the soil and partial funding for a new MSSD residence hall. The new MSSD residence hall is projected to cost $28 million. To date, Congress has appropriated all desired funding for this project. Therefore, Gallaudet is not seeking additional federal funds for construction in FY 2014.

Tuition and Fees

FY 2014 Proposed Tuition and Fees Revenue Budget with Recent History
(dollars in thousands)

	Proposed FY 2014	Budget FY 2013	Actual FY 2012	Actual FY 2011
Gross Tuition	$24,749	$23,000	$22,300	$19,313
Scholarship Aid	(7,970)	(7,400)	(7,780)	(6,782)
Net Tuition	$16,779	$15,600	$14,520	$12,531

The revenue from tuition and fees, as forecasted above, reflects the Board-approved 8 percent increase for fall 2013 tuition[4] and actual enrollment for fall 2013. The proposed forecast is based on enrollment as illustrated in the table that follows. Net tuition is based on the actual fall 2013 census data that assumes estimated retention rates based on the three-year averages, and calculated tuition revenue from part-time students using the average number of credits carried by fall 2013 part-time students. An 8 percent increase is expected from 2014 summer undergraduate matriculated and summer graduate matriculated tuition primarily related to the tuition rate increase that took effect in the fall 2013. English Language Institute revenue reflects the lower enrollment as shown in the following table.

[4] *Note: During the May 2013 Board of Trustees' meeting, the Board approved an 8 percent increase for academic year 2014-2015 tuition.*

Enrollment

Fall 2013 Census Enrollment

		Fall 2013 Census Totals	Fall 2012 Census Totals
UNDERGRADUATES	**Degree-seeking**		
	Freshmen	302	330
	Sophomores	225	227
	Juniors	238	230
	Seniors	275	293
	Second Degree	13	17
	Undergraduate Non Degree-seeking	24	20
	TOTAL UNDERGRADUATE	**1077**	**1,117**
GRADUATES	**Degree-seeking**		
	Certificates	5	6
	Masters	297	276
	Specialists	13	15
	Doctorates	154	149
	Graduate Non Degree-seeking	15	17
	TOTAL GRADUATE	**484**	**463**
	English Language Institute	63	90
	Consortium	7	4
	TOTAL UNDERGRADUATE, GRADUATE, ELI, & CONSORTIUM	**1631**	**1674**
CLERC CENTER	**Kendall Demonstration Elementary School**	**92**	**94**
	Model Secondary School for the Deaf	**149**	**150**
	TOTAL CLERC CENTER	**241**	**244**
	TOTAL UNDERGRADUATE, GRADUATE, ELI, & CLERC CENTER	**1872**	**1918**
	Professional Studies*	4122	147

**Professional Studies can enroll continuously throughout the semester. Therefore, the one-time snapshot of Professional Studies enrollment shown on this line does not provide an accurate picture. The snapshot of Professional Studies enrollment is used, however, in report enrollment in the Government Performance and Results Act (GPRA) Report.*

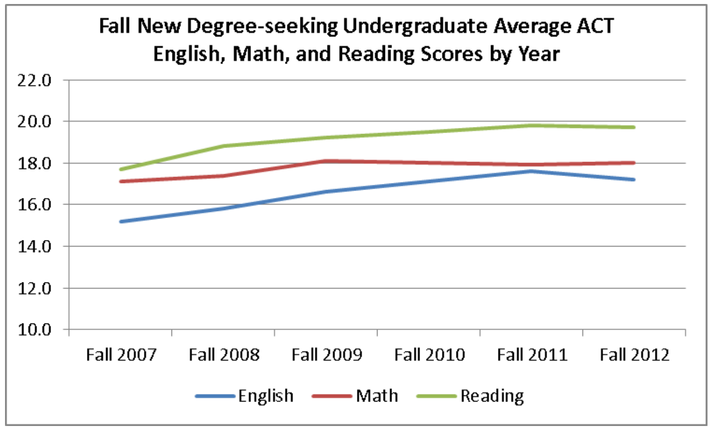
Scholarship Aid

FY 2014 Proposed Institutional Aid Budget with Recent History (dollars in thousands)

	Proposed FY 2014	Budget FY 2013	Actual FY 2012	Actual FY 2011
Student Aid	$(7,970)	$(7,400)	$(7,780)	$(6,782)

Consistent with GSP Goals A and B, to increase enrollment and improve retention rates, five years ago, Gallaudet began offering 4-year merit-based scholarships. The strategy was intended to raise academic standards, improve retention, improve graduation rates, and increase enrollment. The strategy has contributed to improved ACT entrance scores for entering freshman.

While the merit scholarships have contributed to these improvements, the University's overall financial aid package is quite generous. Gallaudet's fall 2011 (AY 2011/2012) price of attendance[5] for a full year (fall and spring) full-time U.S. undergraduate student is approximately $24 thousand. Specifically, in Academic Year 2011-2012, after applying Gallaudet's institutional aid, as well as other forms of aid such as Vocational Rehabilitation, Pell Grants, Federal Student Work Study and so forth, most matriculating undergraduate students received some kind of aid with the average aid being approximately $19,300 leaving approximately $4.7 thousand out-of-pocket payments per year. In fact, Gallaudet University was recently selected by *U.S. News & World Reports* as the number one Best Value Schools – Regional Universities (North) in the 2014 "U.S. News Best Colleges" ranking. (http://www.gallaudet.edu/news/us_news_and_world_report_ranking.html)



In FY 2013, Gallaudet hired a nationally recognized financial aid consultant to assist with evaluating the effectiveness of its current financial aid strategies and to aid in re-configuring its aid packages to optimize enrollment and net tuition. Extensive analysis of the past two years' financial aid awards has provided insights into students and/or their family's ability to pay to attend Gallaudet, and/or willingness to pay to attend Gallaudet. The consultant's analysis suggests that by reconfiguring Gallaudet's awarding strategy, the University can increase the number of students choosing to enroll in fall 2014. The pool of potential students was analyzed by several demographics. The analysis revealed the enrollment patterns for each demographic group depending on the institutional aid awarded, suggesting that if Gallaudet reconfigures institutional aid award packages based on historical patterns, the University could yield a higher enrollment in fall 2014. The FY 2014 new strategies will be adopted to provide awards on a rolling basis using very specific criteria and will be not be constrained by a budgeted amount. The financial impact of this approach is expected to not only increase enrollment, but, also increase overall net tuition and net tuition per student. For the purpose of the FY 2014 budget, we estimate these strategies will yield a discount rate of approximately 32 percent. For this purpose, discount rate is calculated as total institutional aid divided by the billable tuition and fees. The University will continue this analysis to determine if funds are being applied in the most strategic manner to optimize enrollment.

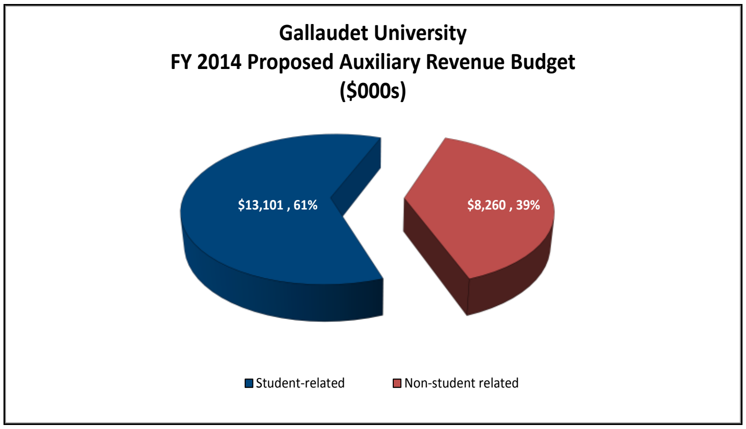
Auxiliary Enterprises

FY 2014 Proposed Auxiliary Enterprises Budget with Recent History
(dollars in thousands)

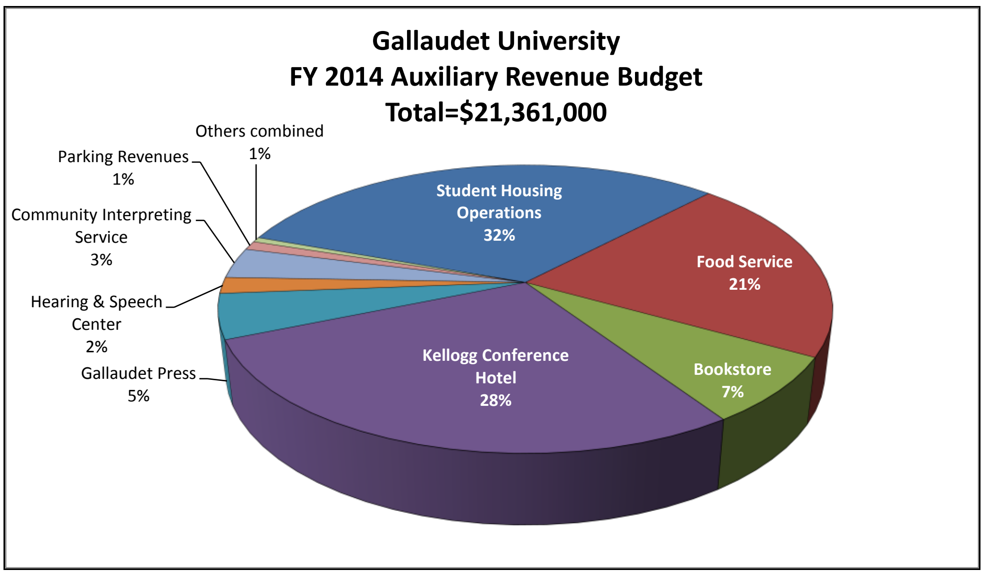
	Proposed FY 2014	Budget FY 2013	Actual FY 2012	Actual FY 2011
Auxiliary Enterprises	*$21,361*	*$21,400*	*$20,916*	*$23,910*

The auxiliary enterprise category can be sub-divided into student and non-student related activities. The primary student related auxiliary activities include student housing, food service, bookstore, and parking. Non-student related auxiliary activities include the Kellogg Conference Hotel, the Gallaudet Press, Community Interpreting, and the Hearing and Speech Center. Non-student related auxiliaries help the University achieve the revenue diversity and growth called for in the GSP Goal C. Some of these activities are new, and therefore, will have a lower operating margin and may take one or two years before reaching more desirable profitability.

[5] *Price of attendance for AY 2011/2012 includes tuition, unit fee, room, board, health insurance fee, and health services fee.*



A full breakdown of auxiliary revenues by individual auxiliary units is illustrated in the graph below.



Like most universities, student housing is Gallaudet's highest producing auxiliary enterprise unit. Student housing is expected to generate approximately $6.7 million in revenue. Fall 2013 marks the second year of a five-year plan to increase residence hall fees by 9 percent per year. Additionally, beginning with the fall 2013, the University implemented a pilot for single-occupancy housing in Peet Hall for a premium rate. This pilot has proven to be very successful, selling out all of the allocated rooms. Given this success, the University is examining options to expand its offering of single-occupancy rooms. Additionally, the University recognizes the opportunity to grow revenue from summer rental of facilities and will work during FY 2014 to explore these possibilities.

The revenue budget for room and board is based on fall 2013 residence hall occupancy. The University continues to develop strategies to optimize residence hall occupancy such as—

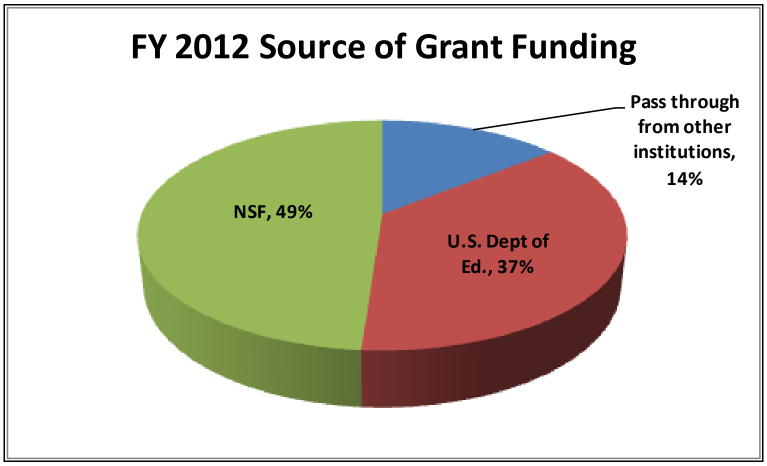
- The Board approved variable rates for different dorms given that each residence hall offers different amenities, and
- Freshmen and sophomore students will be required to live on campus starting in fall 2014.

Each additional student that chooses to live on campus brings in approximately $11,580 in additional room and board revenue ($6,500 in student housing revenue plus $5,080 for board) per year.

Grants and Contracts

FY 2014 Proposed Grants and Contracts Budget with Recent History
(dollars in thousands)

	Proposed FY 2014	Budget FY 2013	Actual FY 2012	Actual FY 2011
Grants and Contracts	$5,600	$6,000	$5,568	$5,841



Grant funding at Gallaudet has been relatively stable since 2011 running between $5.6 million to $5.8 million. In light of the current economic climate, particularly, the public concern about federal spending, our assessment of FY 2014 potential grant funding estimates that Gallaudet will receive approximately $5.6 million. Nearly all of the grant funds originate from federal sources with a small amount that is passed through from other institutions to Gallaudet. Of the federal grant funds received by Gallaudet directly, 49 percent is awarded by the National Science Foundation (NSF) and is primarily attributed to the Visual Learning (VL2) grant. Thirty-seven percent is awarded by the U.S. Department of Education. Approximately one-half of the U.S. Department of Education grant funding awarded to Gallaudet was for the Rehabilitation Engineering Research Center on Hearing Enhancement.

In forecasting revenue from grants, the University considered the schedules for current grants, the prospects of renewing existing grants, and the possibility of generating new grants with current resources.

Investment Income – operations

FY 2014 Proposed Investment Income (Operations) Budget with Recent History
(dollars in thousands)

	Proposed FY 2014	Budget FY 2013	Actual FY 2012	Actual FY 2011
Investment Income for Operations	$7,150	$6,200	$6,097	$7,243

Investment income is expected to increase over the FY 2013 budgeted amount by about $950 thousand due to two factors: 1) the Board of Trustees' May 2013 decision to designate $15 million of current unrestricted undesignated net asset funds to become part of the Board approved Quasi endowment fund, and 2) the recovery of the financial market.

According to the Board's May 2013 decision to redeploy $15 million of unrestricted funds as additional principal in the Quasi President's Endowment fund, these funds will be invested in accordance with the Investment Policy Statement for asset allocation. Starting in FY 2014, these additional funds will increase future endowment payouts to support general operations of the institution by an estimated $750,000.

Prior to the addition of the $15 million, the FY 2014 estimate for investment income budget was prepared using a moving average of the market value of the endowment fund over the past three fiscal years. Consequently, the annual endowment payout has a built-in delay in increasing and decreasing along with the stock market. As the table that follows demonstrates, the low market values as of FY 2009 and FY 2011 dragged down the FY 2012 three-year rolling average. The impact of the low FY 2011 on the trailing three-year moving average is expected to recede gradually in FY 2013 and FY 2014. While it is not possible to accurately and reliably predict the financial markets, the following conservative assumptions were used to calculate the operating investment income:

- The Endowment fund pool investment return will be 7.9% annually. This 7.9% solely captures the investment performance exclusive of the annual payout or any new donor contributions. It is also the expected 10 year return based on the endowment's current asset allocation.
- There will be no new substantial donor endowment contributions.
- The annual Endowment fund payout percentage will be reduced by .25% to 4.75% for those endowments with a market value as of the end of FY 2012 above the historical principal value (e.g. not underwater). For those endowments with a market value below the historical principal value as of the end of FY2012 (e.g. underwater), the payout percentage will be considered suspended until (based on a 7.9% return) the market value exceeds the historical principal value. In those future situations where the fund is no longer considered underwater, the 4.75% annual payout was reinstated.
- The Endowment fund pool has an approximate split of 90/10 unrestricted endowments(UR in the table below) to temporarily restricted (TR in the table below) endowments. The endowments designated as temporarily restricted have unique purposes and thus the related payout will not be used to offset Division expenses.
- The investment return for the Federal Matching fund endowment pool will be 4% annually.
- The Federal Matching fund endowment pool will continue to be liquidated as each ten year tranche matures. As each year matures, a million dollars is returned to the University with the balance becoming a contribution to the endowment pool.
- Short-term investment vehicles for the University's excess cash will not produce a material return.

The Board's Investment committee set a precedent in FY 2012 to suspend the annual payout for the individual endowment funds with a market value as of 9/30/11 that was less than the historical principal value. This situation, otherwise known as being underwater, will likely result in a reduced annual payout for the coming years. This decision to suspend underwater endowment payouts was reaffirmed for the FY 2013 payout and it will be assumed to continue in FY 2014 and beyond. The table below illustrates the basis used to forecast FY 2014 investment income.

	FY2012 ACTUALS	FY2013 PROJECTED	FY2014 PROJECTED	FY2015 PROJECTED
FY09 Ending Market Value of the Endowment Pool	**136,829,000**	136,829,000	136,829,000	136,829,000
FY10 Ending Market Value of the Endowment Pool	**142,485,000**	**142,485,000**	142,485,000	142,485,000
FY11 Ending Market Value of the Endowment Pool	**137,733,000**	**137,733,000**	**137,733,000**	137,733,000
FY12 Ending Market Value of the Endowment Pool		**153,468,000**	**153,468,000**	**153,468,000**
FY13 Ending Market Value of the Endowment Pool			**161,813,000**	**161,813,000**
FY14 Ending Market Value of the Endowment Pool				**170,004,000**
Three Year Rolling Average	**139,016,000**	**144,562,000**	**151,005,000**	**161,762,000**
Payout Estimated (5% FY13 and 4.75% beyond)	**6,951,000**	**7,228,000**	**7,173,000**	**7,684,000**
Projected Reduction of Suspended UR Underwater	**(672,000)**	**(389,000)**	**(284,000)**	**(48,000)**
Projected Reduction of Suspended TR Underwater	**(259,000)**	**(179,000)**	**(84,000)**	-
UR Investment Income- Endowment fund	5,688,000	6,228,000	6,286,000	6,962,000
UR Investment Income- Federal Match fund	202,000	147,000	115,000	56,000
Total Investment Income Used for Operations	**5,890,000**	**6,375,000**	**6,401,000**	**7,018,000**

Contributions

FY 2014 Proposed Contributions with Recent History
(dollars in thousands)

	Proposed FY 2014	Budget FY 2013	Actual FY 2012	Actual FY 2011
Contributions	$3,000	$3,000	$5,721	$3,800

The contributions revenue budgeted for operations that is collected through fundraising efforts supports programmatic expenses incurred in the normal course of operating the University such as, scholarships, research, instruction, and academic support. The University's fundraising function is evolving. To be successful, the University must use sophisticated, integrated strategies to secure funding across the full spectrum of donors. The Development Office has undergone significant improvements in recent years. As a result, the University has been able to redirect resources to more front line fundraising positions. Since many of the fundraising staff members are new, it will take time for them to cultivate relationships with current and prospective donors.

In recent years, the University has increased engagement opportunities with our Board of Associates and Board of Trustees to assist in development efforts. As a result of these efforts, the University is seeing very positive results in new commitments, renewed partnerships and additional gifts and pledges to the University. The University staff is working on significant donations which, if made will likely be made as pledges over a multi-year period and will support University priorities like scholarships, specific programs (e.g., Sesquicentennial Anniversary), research, or capital projects. At the donor's discretion, their gifts, too, may be endowed which means that the principal cannot be used, just the interest.

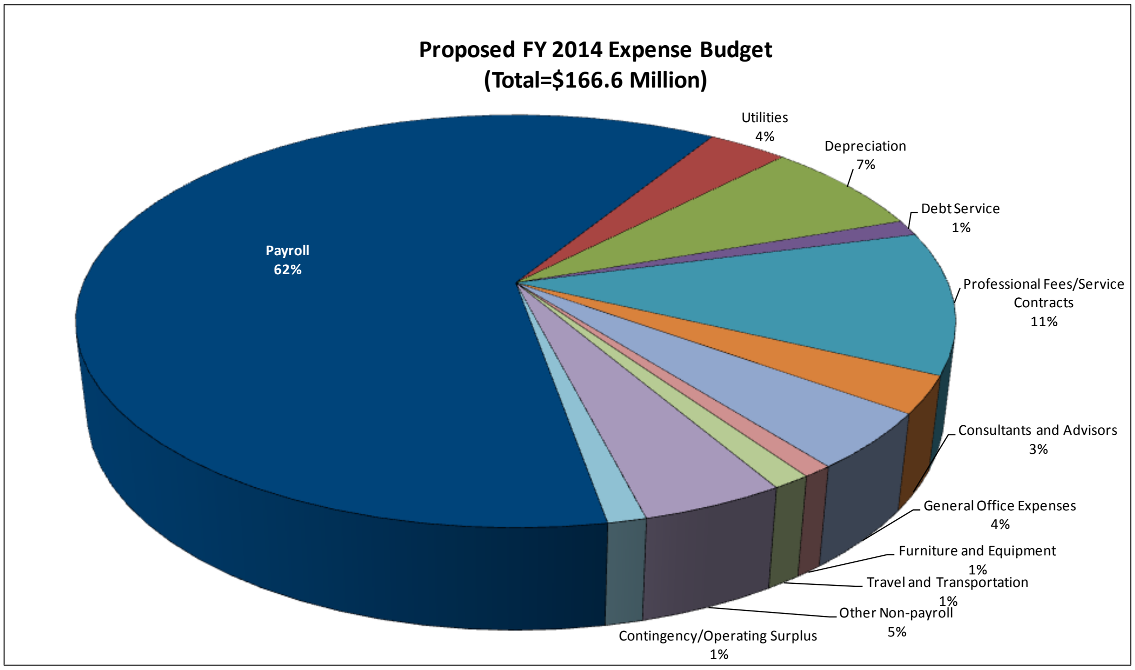
Other

FY 2013 Proposed Other Income Budget with Recent History
(dollars in thousands)

	Proposed FY 2014	Budget FY 2013	Actual FY 2012	Actual FY 2011
Other Sources	$1,302	$2,000	$1,365	$1,545

Other sources are comprised of a number of small activities such as ASL evaluations, outreach activities, continuing education courses, theater ticket sales, use of athletic facilities, admission fees to athletics events, student fines, and summer activities. The income from these other sources is down compared to the FY 2013 budget due to a categorical correction (i.e., approximately $200 thousand that should have been budgeted under tuition and fees), and a lower level of contractual use of facilities during summer months. The administration is working to review options to market campus facilities to generate additional revenue.

PROPOSED FY 2014 OPERATIONS EXPENSE BUDGET



Expense Budget

Given the 3 percent decrease in FY 2014 operating revenues as compared to the FY 2013 Board-approved budget, the Budget Oversight Group is proposing an expense budget that will allow for continued advancement of the GSP and CCSP, and preserve the $2 million contingency/operating surplus fund. However, this will also require significant trade-offs to preserve the financial health of the institution. Initial analysis concluded that the size of the budget shortfall was approximately $9.7 million. This shortfall is explained by—

- the difference between the FY 2013 Board-approved expense budget and the FY 2014 proposed budget (i.e., FY 2013 budget $171.7 million minus the FY 2014 proposed budget $166.6 million equal $5.1 million),
- the increased cost and demand for access services [$2 million budget alignment plus $2 million needed address increased demand],
- small increases associated with—
  - benefits costs,
  - state licensing fees that authorize Gallaudet to conduct recruitment activities and to offer certain types of academic programs across the United States,
  - auxiliary enterprises, and
  - the one-time expenses related to the sesquicentennial anniversary celebration.

This shortfall presented a significant challenge for balancing the FY 2014 budget. Compounding the challenge is that the opportunity for trade-offs is limited by restrictions placed on certain funds (e.g., grants and restricted donations and endowment payout); and auxiliary enterprises must be funded at a level that will maximize its contributions to University operations. Therefore, to close the gap, the University—

- adjusted the utility budget to reflect savings realized from implementing energy efficiency improvements (i.e., savings of $1.1 million),
- analyzed capital improvements plans, including deferral of some projects and consequently re-calculating depreciation expenses (i.e., savings of $800 thousand),
- recognized savings achieved through FY 2013 tight payroll controls (i.e., savings of $2 million)

Despite these strategies, a $5.8 million shortfall remained. Consequently, the trade-offs must come from increasing revenue or by reducing division-controlled positions and non-centralized budgets. Because the University has experienced reductions in positions in recent years, the BOG asked division administrators to first review their programs and relative priorities and to propose areas that could be reduced before considering position reductions. Division administrators identified $2.4 million from their non-centralized budgets reducing the shortfall to $3.4. With payroll (centralized and non-centralized) representing 62 percent of the budget, the BOG concluded that the remaining trade-offs must be borne by the central payroll or by reducing 34 positions.(Note that our average salary plus benefits per employee is approximately $100 thousand.) While this expense budget has not specifically identified funds for salary increases, the BOG recommends that the President be given the flexibility to award to either all employees, or to a specific group of employees a pay increase, either in the form of a lump sum, or an increase to the base should revenue exceed the proposed budget (e.g., if Congress passes an appropriation greater than the amount budgeted).

The expense budget is presented primarily by natural classification. Keep in mind that the budget for regular status employees (excluding grant-supported, and auxiliary enterprise-supported) is controlled centrally. The table below breaks down the proposed budget by expense category. Discussion on each expense category follows the table.

Operating Expense Budget
(dollars in thousands)

OPERATING BUDGET BY NATURAL EXPENSE CATEGORIES (dollars in thousands)						
Natural Expense Category	**FY 2014 Proposed Position Allocation**	**FY 2014 Proposed Budget**	**% of Total**	**FY 2013 Position Allocation**	**FY 2013 Budget**	**% of Total**
Payroll (includes both centralized payroll and non-centralized payroll)	930	$102,630	62%	964	$106,900	62%
Utilities		$5,800	3%		$6,900	4%
Depreciation		$12,300	7%		$13,100	8%
Interest on Bonds		$2,064	1%		$2,064	1%
Professional Fees/Service Contracts		$18,557	11%		$17,800	10%
Consultants and Advisors		$4,851	3%		$5,400	3%
General Office Expenses		$7,406	4%		$5,000	3%
Furniture and Equipment		$1,570	1%		$2,000	1%
Travel and Transportation		$1,983	1%		$1,500	1%
Other non-payroll		$7,424	4%		$9,036	5%
Contingency		2,000	1%		$2,000	1%
Total	**930**	**$166,585**		**964**	**$171,700**	

Note: Percent of total does not add to 100 percent due to rounding.

Payroll

The Budget Oversight Group recommends an FY 2014 payroll budget of $102.6 million comprised of 930 positions, 34 less than the FY 2013 budget.

In formulating the FY 2014 payroll budget, the BOG addressed the immediate budget issues while ensuring that the University emerges in the strongest possible position to accomplish our mission. The BOG recognized the immediate need to balance the budget, to restore the contingency fund/operating surplus, and to fund fixed expense categories such as depreciation and interest on bonds outstanding. In addition, the BOG faced the challenge of achieving this with 3 percent less funding than was budgeted in FY 2013 and 3 percent less than the actual revenues collected in FY 2012. The analyses and forecasting for payroll revealed that this could not be achieved without reducing the number of authorized positions (general fund regular, grant, and income) by at least 34 positions or 3.5 percent.

In FY 2013, the payroll budget represented 62 percent of the total University operating expenses. Over the past two years, the University has realized savings from tightly controlling and reducing positions. In FY 2013, the University was able to achieve reducing the position count by 26 positions or 2.6 percent through attrition, monitoring job postings, and hiring strategically. Among the factors that influence payroll expenses are employee attrition (e.g., resignations, retirements), the length of time vacancies remain open, and the departure of long-time employees replaced by new employees that are paid less.

The BOG advises that the reductions should not be achieved through an absolute hiring freeze, as critical positions (e.g., those positions that provide safety and security of campus community, are mission-critical, and/or fulfill legal mandates) must be filled. However, in achieving the 34 position reduction, the BOG recommends paying careful attention to assure employees' efforts are optimized and directed to achieve the GSP and CCSP goals, and, that employees are recognized for their efforts.

Finally, the decision to recognize employees with some kind of monetary award must take into consideration the current political climate. While the U.S. economy is showing signs of improvement, there continues to be increased attention towards federal government spending and reducing the federal deficit. Employees have not received a pay increase, with the exception of a single one-time two percent payout, since the start of FY 2009 (i.e., fall). As you will see below, the University's ability to retain and attract employees is beginning to be compromised as the competitiveness of employees' pay for many employees is lagging behind competitors. Therefore, the BOG recommends that the President be given the flexibility to award to either all employees, or to specific groups of employees a pay increase, either in the form of a lump sum or an increase to the base should revenue exceed the proposed budget (e.g., if Congress passes an appropriation greater than the amount budgeted).

Competitiveness of Employees' Salaries and Benefits

A key decision point in the budget process is the Board's approval of employees' salary treatment for the upcoming year. The institution is committed to maintaining a work place that recognizes the importance and value of its employees to carry out its mission. Therefore, the institution offers its employees competitive salaries along with a comprehensive fringe benefits package that includes, among other things—

- Participation in federal retirement systems
- Participation in Federal Employees Health Benefits Program
- Vacation and sick leave
- 13 University observed holidays, plus a floating holiday for staff
- Tuition waivers and tuition assistance for immediate family.

The University is fortunate that it has been able to maintain its very uniquely qualified workforce despite the lack of an increase to their base pay for five years. If no base pay is awarded in FY 2014, it will mark the sixth year of no pay increase. As indicated above, the University is operating with fewer employees creating a very challenging situation to assure that the institution attract and retain the employees critical to carrying out its mission. The institution must have the right number of employees, with the right skills to be successful. In the paragraphs below, the competitiveness of each employee category will be discussed. Without salary increases, the competitiveness of Gallaudet employees pay is declining and morale is suffering. Consequently, the University is beginning to see signs of difficulty attracting qualified candidates to fill vacancies. Because Gallaudet has historically strived to maintain salaries above the average of peers for staff, in FY 2013 staff salaries were on the fringe of being competitive for staff. However, this competitive edge has been greatly diminished. Faculty salaries have fallen further behind the current comparator group by more than 3 percent for most ranks, and as high as 8.7 percent for Assistant Professors. Clerc Center teacher pay rates are currently 11 percent behind the pay rates for seven local school districts.

In order to make strides towards implementing the GSP and CCSP, the administration would like to recognize the vital role employees play in achieving the University's mission by awarding some kind of pay increase. **However, to award an increase would require $1 million for each 1 percent pay increase, and further trade-offs such as reducing additional positions or reducing the budgeted contingency/operating surplus.**

Peer Comparisons

To evaluate the competitiveness of employees' salaries, the University employs three strategies—

- **University Faculty** - Annually, the University Faculty prepares an analysis of their salaries based on data published by the American Association of University Professors (AAUP). They compare Gallaudet faculty salaries by rank against an established group of comparator colleges. Historically, general pay increases coupled with merit increases have proven effective at maintaining the competitiveness of overall faculty pay. The review of the April 2013 AAUP survey results show that faculty at all ranks lag behind the adjusted mean by at least 3 percent, with the Assistant Professor rank lagging by more than 8 percent.

Comparison of Salary Ranges For FY12
(Effective October 1, 2011 through September 30, 2012)

Institution	Professor	Associate Professor	Assistant Professor	Instructor
American	156,100	101,300	75,000	50,400
Catholic	113,000	79,200	68,400	57,600
George Mason	130,900	85,400	71,000	59,000
Georgetown	167,100	109,000	94,400	
George Washington	152,000	103,100	84,200	62,400
Howard	105,000	75,300	67,800	55,600
Bowie State Univ	86,200	69,700	62,400	59,000
Maryland, CP	136,300	95,700	83,900	60,100
Mean	130,825	89,838	75,888	57,729
Mean Adjustment*	-6.30	-3.00	-1.70	-1.70
Adjusted Mean	122,583	87,142	74,597	56,747
Gallaudet	**118,700**	**83,900**	**68,100**	**54,500**
Difference $	-3,883	-3,242	-6,497	-2,247
Difference %	-3.17	-3.72	-8.71	-3.96

**The mean adjustment is a factor used to adjust the mean down to remove the effect of higher paid medical, and law school faculty at some of the comparator institutions.*

- **Clerc Center Teachers** – The Clerc Center performs an analysis every three years on the same schedule as the University's staff salary analysis. They compare teachers' salaries against those at large schools for the deaf located in large urban cities, as well as local school districts in the tri-state area (Maryland, DC, and Virginia). This sampling of schools allows for both the comparison against schools of similar setting, as well as teacher pay rates in the DC area. The Clerc Center also considers teacher contract requirements in other schools and the number of instructional and workdays at those schools as compared to those at the Clerc Center. In the FY 2013 budget report, we reported that the survey results showed Clerc Center teacher salaries in the bottom 15th percentile compared to the schools, and schools systems, in the survey. Salaries in some classifications were lagging by as much as 10 percent. As of the spring 2013, Clerc Center teacher pay rates were 11 percent behind the pay rates for seven local school districts.
- **Staff** – Every three years the University collects competitive base salary information on more than 80 benchmarked positions. These positions are selected based on the following criteria: common with educational institutions, difficult to retain, market sensitive, representing all levels and functions within Gallaudet, and containing multiple incumbents. The competitive market used for the review is defined as education and non-profit institutions, 1200 full-time employees with a similar operating budget, and local to the Washington, DC area. Because of the difficulty in recruiting employees with the appropriate skills required to work at Gallaudet, the midpoints of the salary structure grades are designed at the 65th percentile of the competitive market. Between the 3-year full benchmarking surveys, an abbreviated analysis is completed every year to determine the salary ranges for the next fiscal year.

Utilities

The FY 2014 cost of utilities is expected to be approximately $5.8 million. Forecasting utility expenses is not an exact science as it is dependent on the varying levels of demand and the varying rates of energy. The cost of utilities as Gallaudet has been trending down since FY 2010 where costs were $7.4 million, to $6.5 million in FY 2011, to $5.6 million in FY 2012. These reduced costs are due in great part to a number of energy conservation and monitoring measures to reduce our consumption. Additionally, Gallaudet currently is benefiting from favorable rates negotiated with the utility companies in FY 2012.

Gallaudet remains committed to managing its energy use. In FY 2013, President Hurwitz further demonstrated this commitment to sustainability by joining nine other university presidents in signing the District of Columbia Mayor's College and University Sustainability Pledge (CUSP) intended to ensure that the District is environmentally, economically and socially sustainable. The pledge is an agreement by the schools to pursue sustainability measures related to energy use and buildings, green education, transportation, waste reduction, grounds maintenance, purchasing, and the management and reporting of progress.

Depreciation

The proposed FY 2014 budget for depreciation is $12.3 million, $800 thousand less than the FY 2013 Board-approved budget. FY 2013 actual depreciation is estimated to be 12.4 million, a savings of $700 thousand versus the budgeted amount.

Gallaudet capitalizes buildings, building improvements, outside improvements, software over $25,000, furniture and equipment over $5,000 with depreciable lives greater than one year. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Asset Class	Estimated Lives (years)
Land improvements	60
Buildings	40 to 60
Building improvements	20 to 60
Outside improvements	10 to 20
Library books	10
Furniture and equipment	5
Software	3

It is Gallaudet's practice to fund depreciation and to adopt the budgeted amount for depreciation as the base budget for its capital budget (see Capital Budget section for additional details). In the future, major construction and renovation projects will have longer estimated lives that will cause the depreciation expense to stabilize in two to three years.

Interest on Bonds

The FY 2014 budget for interest on bonds is $2.064 million. In FY 2011, Gallaudet entered the capital markets with $40 million tax-exempt bonds. The net proceeds of the bond sales, roughly $39.5 million were used to cover the interest payments during the construction period, to pay a required fee to the District of Columbia Revenue Bond Program, and for a number of capital improvement projects such as the Living and Learning Residence Hall, energy conservation, and renovation of Fay, Ballard, and Denison Houses. This 30-year bond issue requires semi-annual payments on October 1 and April 1 every year from FY 2013 through FY 2041. Bond interest payments are estimated to be approximately $2 million across the next five years.

Other Expenses in Division Operating Budgets

Other expenses include transportation and travel, general office expenses, consultants and advisors, professional fees, professional development, printing and publishing, Bookstore and Press 'cost-of-goods-sold,' furniture and equipment, access services. These categories amount to $41.8 million or 25 percent of the expense budget and are generally division-controlled expenses, auxiliary enterprise expenses, or grant-, donation-, or endowment-supported expenses.

Given the 3 percent decrease in operating revenues, and the need to—

- ➢ optimize the net surplus generated by auxiliary enterprises,
- ➢ fund the $2.064 million interest expense on bonds outstanding,
- ➢ fund the $12.3 million depreciation expense,
- ➢ fund the $5.8 million utility expenses,
- ➢ preserve and invest in our uniquely qualified and committed work force to the extent possible, and
- ➢ fully fund communication access services,

the institution must make trade-offs. As mentioned earlier, the University is committed to assuring the institution's financial health and to positioning the institution to carry out its mission and two strategic plans. A major trade-off represented in this document is the $2.2 million reduction in division-controlled, non-centralized expense categories, distributed as follows:

Division	FY 2014 Budget Reduction ($000s)
President's Office	$350
Academic Affairs	$885
Enrollment Management	$111
Clerc Center	$300
Gallaudet Technology Services	$225
Development and Alumni Relations	$22
Administration and Finance	$450
Total	**$2,343**

Each division administrator reviewed his or her programs and priorities and identified areas to reduce that would have the least impact on strategic plans.

Contingency/Planned Operating Surplus

It is considered best practice in higher education for the net operating surplus to be in the range of 2 to 4 percent. The Budget Oversight Group's recommendation is in keeping this best practice and to ensure that the University's long-term financial health is preserved. While two percent would be about $3.3 million, the BOG is recommending that the contingency/planned operating surplus be maintained at the $2 million level. The administration is committed to increasing the planned surplus and looks forward to improved funding beginning in FY 2015 that will allow the University to increase this amount by $500 thousand per year to, over time, yield a minimum of a 2 percent operating surplus.

PROPOSED FY 2014 CAPITAL BUDGET

Gallaudet expects to have three major sources of funds available for capital improvements in FY2014.

1. An amount equal to the projected depreciation expense for FY 2014, $12.3 million, to provide for annual reinvestment in, and long-term systematic replacement of, the physical plant. This shown in the row titled "1. Base Capital Improvement Budget" in the table below.
2. The accumulated federal appropriations, $28.6 million as of September 25, 2013, intended for the construction of a new residence hall for the Clerc Center. From this sum, $10.1 million is expected to be expended in FY2014. See the row titled "2. Federal Appropriations for Construction."
3. The remaining balance of the tax-exempt bond proceeds, $1.4 million, which will be used to supplement the budget for the construction of science laboratories in Hall Memorial Building in FY2014 as shown in "3. Tax-exempt Bonds" below.

FY2014 Capital Improvements Plan
($000s)

Description		Amount
Deferred Maintenance		
General deferred maintenance projects		1,300
Parking garage repairs		1,900
Subtotal Deferred Maintenance	**$**	**3,200**
Annual Allocations	**$**	**1,500**
Major Capital Improvement Projects		
Science Lab Remodel, to be completed in FY2015		1,600
Appleby/6th Street & Florida Avenue Gate, initial stages		500
Chapel Hall Renovation		500
Stadium Press Box		300
Track & Field Improvements		300
Campus Accessibility/Landscape Plan		150
To be held in reserve for completion of the Science Lab and Appleby projects in FY2015		2,850
Unanticipated small projects & contingency, combined		1,400
Subtotal New Constr./Major Renov. Projects	**$**	**7,600**
1. Base Capital Improvement Budget	**$**	**12,300**
2. Federal Appropriations for Construction	**$**	**10,100**
Tax-exempt Bonds		
To be added to the Science Lab Remodel project		1,400
3. Tax-exempt Bonds	**$**	**1,400**
Total Funds Available for Capital Projects	**$**	**23,800**

This plan generally reflects the following principles which govern Gallaudet's approach to funding capital improvements:

- Projected depreciation expense establishes the minimum amount of funds to set aside for capital improvements to prevent operating deficits and to provide for annual reinvestment in, and long-term gradual replacement of, the physical plant.
- Federal construction appropriations should finance large Clerc Center improvement projects. However, Gallaudet will maintain the physical plant at the Clerc Center site to ensure reliable and safe operations of the program.
- Gallaudet will leverage fundraising opportunities to supplement the capital improvement budget.

Deferred Maintenance

Gallaudet recommends that the funding for deferred maintenance projects be set at $3.2 million. The University generally uses this fund for the upkeep of its existing physical plant and infrastructure such as parking garage rehabilitation, roof replacements, pavement and sidewalk resurfacing, boilers, heating and cooling distribution systems, and replacement of pipelines. Under an approach that was approved by the Board in the FY 2012 budget, Gallaudet will increase the deferred maintenance portion of its capital budget gradually until it reaches an amount equal to 2 percent of net land, buildings and other property as reported in the University's annual audited financial statements.

Mainly because of the completion of the new residence hall and renovation of the five other residence halls during FY2012, the book value of Gallaudet's physical plant increased to $189 million. At two percent, that translates to a goal of approximately $3.8 million for the upkeep of the institution's physical plant. Since the current budget for deferred maintenance needs is $2.9 million, an increase to $3.8 million would require an immediate reallocation of nearly $1 million within the capital budget. Because Gallaudet does not have enough flexibility in its capital improvements plan over the next two years for this reallocation, the University recommends that this portion of the budget be set at $3.2 million for FY2014, with a plan to close the funding gap over the next few years.

Annual Allocations

The University intends to continue the annual allocation of $1.5 million for replacement of the institution's furniture and equipment across the campus in a systematic and gradual manner. In FY2014, Gallaudet will change the process by which this fund is allocated toward the functions and departments for their furniture and equipment needs. During FY2012 and continuing through FY2013, Gallaudet is forming a formal process that is inclusive and transparent to guide the physical development of the campus in accordance with the institution's ten-year Campus Plan and determine space utilization campus wide. This process will review the annual allocations and prioritize the use of the funds for various functions and departments from year to year. Some examples of the uses of this fund include furniture for classrooms and dormitories, upgrades to information technology infrastructure, and athletic facilities.

Major Capital Improvements Projects

Gallaudet intends to remodel the science laboratories in Hall Memorial Building, starting with $1.6 million from this allocation. This sum will be supplemented with the remainder of the tax-exempt bond proceeds, currently estimated to be approximately $1.4 million, as discussed below. The project is expected to be completed in FY2015 at a total two-year cost of $7.6 million ($1.6 million FY2014 funds, $1.4 million tax-exempt bond proceeds, and $4.6 million FY2015 funds).

Other planned uses of the FY2014 capital budget include the initial stages of the renovation of the Appleby Building and 6th Street and Florida Avenue area, expected to be completed in FY2015, renovation of Chapel Hall, construction of a press box at the football stadium, renovation of the track and field area, and completion of a campus accessibility/landscape plan at various costs ranging between $150,000 and $500,000. After reserving $2.85 million to be carried over to FY2015 to finish the major projects mentioned previously, Gallaudet will reserve the remaining $1.4 million for unanticipated small projects and contingency.

Federal Appropriations for Construction

To date, the federal government has appropriated the full $28 million request for the MSSD residence hall. Gallaudet has used earlier appropriated funds to complete the work of removing old buildings and stabilizing the soil. Currently, the design and planning of the new dormitory construction project is underway. Expenditures for this project are expected to increase significantly in FY2014, totaling approximately $10.1 million. The project is expected to be finished in FY2015 with the remaining funds, estimated at approximately $18 million.

Plan for Uses of Remaining Tax-exempt Bond Proceeds

Gallaudet funded the construction of a new residence hall and a geothermal project that supports the building, as well as an energy conservation project from the $40 million bonds issued in FY2011. With an estimated $5.7 million remaining, $4.3 million is currently being used for a major renovation of the historic Fay and Ballard Houses, and minor renovation to Dawes House. The remainder, currently estimated to be approximately $1.4 million, will be added to the budget for the science laboratories in Hall Memorial Building as discussed above.

FY 2015 REQUEST FOR FEDERAL FUNDS

The nation's attention continues to focus on reducing the federal deficit. Therefore, the administration carefully considered the financial challenges it currently faces and has faced in recent years. Particularly, the University's federal funding has been at or below $118 million since FY 2009, including a $6.1 million (5.23 percent) appropriation cut in FY 2013, reducing the federal appropriation for operations to $111.393 million. Other challenges that served as the basis for requesting additional federal funds include—

- The loss of a net $2 million in video relay services revenue;
- The mandate to comply with No Child Left Behind;
- The increased demand for communication access services;
- The operation of newly improved science labs to support pre-medicine programs; and
- The need for employee pay increases.

No Child Left Behind

The University is requesting $0.6 million to support the No Child Left Behind (NCLB) mandates. In its FY 2012 budget request, Gallaudet requested $0.6 million to comply with NCLB mandates. However, additional federal funds were not provided. Consequently, in order for the Clerc Center to comply fully with the mandate to implement NCLB requirements at KDES and MSSD, the Clerc Center absorbed these costs by reallocating approximately $0.6 million from other initiatives. Under the Education of the Deaf Act, the Clerc Center has a mandate to implement specific provisions of NCLB, requiring it to assume responsibilities normally performed by a department of education for a state, by a school district, and by a school site. Due to the funding limitations in FY 2013, the Clerc Center deferred its strategic planning timelines, essentially extending its three-year action plans to five-year action plans. Funding the $0.6 million NCLB costs would allow the Clerc Center to restore resources to its strategic planning activities so that it can fulfill its National Mission requirements.

Communication Access

The demand for communication access services continues to increase. The increase is attributed to the changing student body, the real-time captioning services in the classroom, and growth in internships and externships that account for approximately half of the direct student services costs. This item was submitted to the U.S. Department of Education for federal funding in the last four years.

Closure of Video Relay Services

The University is asking for $2 million to restore the loss of revenue resulting from the unexpected closure of video relay services (VRS) operations due to a 2011 Federal Communication Commission's rulemaking. In 2011, the FCC released the VRS Practices R&O, which prohibits an eligible provider from contracting with or otherwise authorizing any third party to provide communications assistant services or call center functions on its behalf, unless that authorized party also is an eligible provider. The FCC ruling negated the contractual agreement between Gallaudet and its partner to offer video relay services and put requirements in place that made it impracticable and cost-prohibitive for the University to continue operations under a new agreement. Gallaudet had maintained a partnership since 2004 to provide video relay services to the public. In the 7 years of this partnership, the VRS operations proved to be a good performing business, generating a net $2 million per year in revenue to offset University expenses. As a result of the 2011 FCC ruling that negated the contractual agreement and ultimately caused the closure of Gallaudet's VRS operation, the University suffered a $2 million loss in revenue. Consequently, the University has cut costs as described in the FY 2013 Board-approved budget.

Pre-med program and Science Labs

Gallaudet is requesting $0.5 million to support the operational expenses associated with the $7.4 million project to renovate science laboratories to support pre-medicine academic programs. As mentioned earlier in this document, and as suggested by the Task Force discussed below, Gallaudet is in the process of developing a pre-medicine program to attract more deaf and hard of hearing students to pursue a career in the medical profession. To accommodate the pre-medicine program requirements, Gallaudet must have state-of-the-art science laboratories, and must have the ability to maintain them. The University currently plans to spend $7.4 million to renovate existing science laboratories. The University expects the number of students enrolling in science courses to increase, requiring additional faculty along with the need for additional oversight of the laboratories to assure they are kept safe and up-to-date with an on-going allocation to procure laboratory supplies and equipment.

Salary Increase

The University is requesting $3.5 million to support increased salary payments for employees. Gallaudet froze employees' base pay one year prior to the freeze on federal employees' salaries. Unlike federal employees, Gallaudet employees do not receive 'step' increases. Consequently, University employees have not received a salary increase since October 2008, the beginning of FY 2009. Note, however, that during this period of time there was a single one-time 2 percent payout to employees. October 2014 (the beginning of FY 2015) will mark the beginning of the sixth year of no salary increase for employees.

The University has implemented numerous cost containment strategies, including reducing the number of employees. Since 2007, the University has reduced employees from 1,082 to the FY 2013 year-end headcount of 964, an 11 percent reduction in force. Furthermore, the FY 2014 proposed budget requires the University to reduce the headcount by another 34 employees. This would represent a 14 percent reduction in force since 2007. Maintaining an appropriate size and quality workforce is critical for Gallaudet to achieve its mission. To continue to make progress and to maintain quality educational services, the institution must recognize the vital role the remaining employees play by assuring that their salaries remain competitive.

Therefore, the University requested $3.5 million in additional federal funding to provide a 3.5 percent salary increase for employees to help narrow the gap between employees' salaries and comparator groups' salaries and partially mitigate the loss of purchasing power due to inflation.

APPENDIX A

University Planning and Budget Committee Charge

The UPBC will serve in an advisory role with respect to Gallaudet's planning, resource allocation, and assessment, and will monitor and facilitate these activities. The committee will advise the President on the implementation and evaluation of the University's budget, strategic plans, and institutional assessment.

The committee's responsibilities include:

1. Facilitating evaluation of progress toward achievement of the institution's strategic initiatives and the institution's academic achievements.
2. Facilitating the University's annual budget development process, including proposing the annual operating and capital budgets, and making recommendations for federal appropriation, salary treatment, and tuition.
3. Facilitating revisions to the GSP and facilitating discussions on the relationship between the GSP and the CCSP in the following areas:
   a. Assuring that the University's budget is aligned with the GSP and the CCSP.
   b. Developing guidelines for preparing and prioritizing action plans for the implementation of strategic plans at all levels (e.g., institutional and unit levels); reviewing action plans within the context of strategic resource allocation; providing advice to the President and the President's Cabinet; and establishing reporting mechanisms.
   c. Facilitating the monitoring of strategic goal outcome data including:
      I. Setting a reporting schedule.
      II. Verifying data.
      III. Analyzing data and action plans in order to make recommendations for continuous improvement on campus.
      IV. Communicating the results of institutional effectiveness efforts to appropriate campus and external stakeholders to promote accountability and transparency.
4. Reviewing results of university-level learning assessment updates and program reviews that are conducted on a regularly scheduled basis, and making recommendations on strategies and mechanisms to continually improve the quality of the institution;
5. Assuring that Gallaudet meets all Middle States Commission on Higher Education and U.S. Department of Education expectations for planning, resource allocation, and assessment.

Principles

- Capitalize on what we learned through PPTF and APSRC
- Build capacity (knowledge, sills, and dispositions) for integrated planning, resource allocation, and assessment in the GU community
- Broaden GU community participation
- Promote ownership in strategic resource allocation decisions

APPENDIX B

Managerial and Fiscal Accountability

Gallaudet employs a number of strategies to assure accountability in all of its activities. The following paragraphs provide a brief overview of some of the strategies employed by the University.

A key factor in providing for accountability is the integrity and ethical values maintained and demonstrated by management and staff. Gallaudet University's administration maintains an environment that reflects a positive and supportive attitude towards internal control and conscientious management. Assuring a strong foundation for internal controls are the University's Administration and Operations Manual (A&O Manual) and the University Faculty By-laws and Guidelines. These documents, although not exclusively, help to provide assurance that the University complies with laws and regulations, maintains reliable financial reporting, and is effective and efficient. Among other things, the A&O Manual—

- Assigns responsibility for budget management and control to administrative officers, and
- Specifies restrictions imposed under the Education of the Deaf Act of the use of appropriated funds.

Additionally, the administration routinely monitors performance through such activities as standing meetings, standard and periodic reports, and supervision. The GSP and the CCSP provide key mechanisms for managerial and fiscal accountability. Periodic reports to the administration and to the Board on progress towards GSP and CCSP strategic goals and objectives represent a means for the administration to assure that resources are being deployed to fulfill strategic goals. Finally, the annual independent audit of the University's financial statement provides stakeholders with reasonable assurance that the University's financial statements fairly present its financial position, conform with accounting principles, and are free of material misstatement.

GALLAUDET

UNIVERSITY