



**Fiscal Year 2017
Budget Recommendations**

As of May 5, 2016

Contributions from
**University Planning and Budget Committee, President's Executive
Team, and Administration & Finance**

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OFFICE OF THE PRESIDENT

May 5, 2016

MEMORANDUM

To: Gallaudet University Board of Trustees
From: Roberta J. Cordano, President
Subject: Fiscal Year 2017 Budget Recommendations

Attached please find the Fiscal Year 2017 budget proposal.

The University Planning and Budget Committee (UPBC) and the President's Executive Team recommend a FY 2017 operating budget of \$176.6 million, including a capital budget of \$12.7 million.

I want to thank the UPBC for their efforts to address the budget challenges Gallaudet is facing today and to present a balanced budget for FY 2017. These challenges are not unlike those in other institutions of higher education nationwide, and colleges and universities have had to adapt and evolve to meet the changing landscape. The UPBC had a difficult assignment this year and I appreciate their work to provide conservative forecasting of our revenue sources and a range of the options for how we could reduce expenses. Given the recent history, these are prudent fiscal decisions.

While we will move forward with reductions as proposed should it become necessary, I believe that by working together as a community we can, and will, succeed with efforts to increase revenue. I am confident that we can increase enrollment revenue and increase fundraising dollars through the strategic use of current resources and expertise. As good stewards of our resources, we work together to make choices on discretionary spending that allow us to continue to invest in the future. By making strategic decisions about every dollar we spend, we can shift the paradigm we have faced over the last several years.

I have reviewed the attachment and recommend adoption of this budget for FY 2017. We know the board will exercise its due diligence in its review of these budget recommendations.

cc: President's Executive Team

ATTACHMENT

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Gallaudet University Planning and Budget Committee (UPBC) Membership

Gallaudet University Planning and Budget Committee (UPBC)

UPBC Co-Chairs

Reed Gershwind, Assistant Professor, Business Department, Academic Affairs Budget Director
Nicole Sutcliffe, Executive Director, Administration and Operations, Clerc Center (on leave Spring 2016)

Isaac Agboola, Dean, School of Education, Business, and Human Services
Kojo Amissah, Career Consultant, Career Center, Gallaudet Staff Council Chair
Kathryn Baldridge, Associate Professor/Faculty Athletic Liaison
Albert Benedict, Dean, Student Affairs and Academic Support
Emilia Chukwuma, Associate Professor/Chair, Director of Accounting Program, Business Department
Jean Cibuzar, Executive Director, Finance
Hollie Fallstone, Human Resources Coordinator, Clerc Center
Genie Gertz, Dean, College of Arts and Sciences
William Hughes, Assistant Treasurer, Office of the Vice President for Administration and Finance
Susan Jacoby, Executive Director, Planning, Development, and Dissemination, Clerc Center
Mary Keane, Director, Campus Activities and Commuter Programs, Gallaudet Staff Council Vice-Chair
Susan King, Associate Dean, Graduate Admissions and Center for Continuing Studies, Graduate School
Gaurav Mathur, Dean, Graduate and Continuing Studies
Earl Parks, Executive Director, Gallaudet Technology Services
Fred Weiner, Assistant Vice President for Administration, Office of Administration

Additional support provided by:

Tracy Berman-Kagan, Controller, Finance

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INTRODUCTION

The University Planning and Budget Committee (UPBC) recommends to the President a fiscal year 2017 operating budget of \$176.7 million. The table below summarizes the proposed fiscal year 2017 operating budget compared to the fiscal year 2016 operating budget –

| Operating Budget by Source of Funds (dollars in thousands) | | | | | | |
|--|-----------------------------|-------------------------|------------|-----------------------------|----------------|------------|
| Source of Revenue | FY 2017 Proposed Budget | | % of Total | FY 2016 Budget | | % of Total |
| Federal Appropriations – Operations | \$121,275 | | 69% | \$120,275 | | 69% |
| | | | | | | |
| Tuition and Fees | 27,995 | | | 25,875 | | |
| Less: Scholarship Aid | (10,380) | | | (9,057) | | |
| Net Tuition and Fees | 17,615 | | 10% | 16,818 | | 10% |
| | | | | | | |
| Grants and Contracts | 3,000 | | 2% | 3,000 | | 2% |
| Investment Income – Operations | 7,500 | | 4% | 8,416 | | 4% |
| Auxiliary Enterprises | 23,210 | | 13% | 20,612 | | 12% |
| Contributions | 3,300 | | 2% | 3,000 | | 2% |
| Other | 800 | | 0% | 879 | | 1% |
| Total | \$176,700 | | | \$173,000 | | |
| Operating Budget by Natural Expense Categories (dollars in thousands) | | | | | | |
| Natural Expense Category | FY 2017 Position Allocation | FY 2017 Proposed Budget | % of Total | FY 2016 Position Allocation | FY 2016 Budget | % of Total |
| Payroll (includes both centralized payroll and non-centralized payroll) | 921 | \$111,360 | 63% | 910 | \$109,800 | 63% |
| Utilities | | \$5,750 | 3% | | \$6,000 | 3% |
| Depreciation | | \$14,800 | 8% | | \$12,700 | 7% |
| Interest on Bonds | | \$1,950 | 1% | | \$2,064 | 1% |
| Auxiliary Service Contracts | | \$11,070 | 6% | | \$10,098 | 6% |
| Professional Fees and Contracts | | \$7,820 | 4% | | \$7,862 | 5% |
| Consultants and Advisors | | \$3,220 | 2% | | \$3,231 | 2% |
| General Office Expenses | | \$7,080 | 4% | | \$6,936 | 4% |
| Furniture and Equipment | | \$1,510 | 1% | | \$1,499 | 1% |
| Travel and Transportation | | \$1,280 | 1% | | \$1,311 | 1% |
| Auxiliary Cost of Goods | | \$1,130 | 1% | | \$1,488 | 1% |
| External Access Services | | \$1,810 | 1% | | \$1,829 | 1% |
| Special Projects | | \$4,190 | 3% | | \$3,903 | 2% |
| Other Non-Payroll | | \$1,630 | 1% | | \$1,679 | 1% |
| Contingency | | \$2,100 | 1% | | \$2,600 | 2% |
| Total | | | \$176,700 | | | |

On January 1, 2016, Roberta J. Cordano started as Gallaudet's 11th President. During the announcement of her selection as president, the Gallaudet Board of Trustees recognized her as a "transformational leader who is the right person at the right time for Gallaudet."¹ One of the first goals established by President Cordano was to identify strategic priorities to continue Gallaudet's transformation and success in the future. As she stated in her State of the Union address on February 1, 2016, "We are no longer that 'little college for the deaf in Northeast DC.' We are an internationally-recognized beacon of hope that is producing some of the best research, teaching, learning and community engagement. It's an exciting time to be connected and involved with this great University."²

Over the past several years, Gallaudet has been under both short and long term pressures to respond to changing trends in higher education as well as funding realities in order to ensure the University continues to be the preeminent institution of higher learning for current and future generations of deaf students. Gallaudet's recent budgets have been established to provide short-term solutions to these challenges. At the same time, the University recognized the need to invest in the infrastructure and programs needed to support robust enrollment, develop world-class facilities for Science, Technology, and Mathematics studies and research, and lay the foundation for long-term revenue diversification from its real estate assets. As noted by Standard and Poor's, "Revenue diversity is important for the credit standing of a private university as it provides a shield against vacillating enrollment trends and volatile market conditions."³

Nationally, enrollment in four-year colleges and university of traditional-age U.S. college students is continuing to trend downward, while increased competition within the higher education marketplace has resulted in increasing tuition discount rates and the need to offer more services or better facilities for students. According to Moody's, "Overall demographics for college-going students has been flat or declining. Families are becoming more sophisticated consumers of the higher education sector, shopping by price, considering the cost of a full freight of four or five years in college. That puts more pressure on these colleges to be able to increase tuition at prices above inflation."⁴

In addition, public colleges and universities have been budgeting for reduced state appropriations for several years at this point. Gallaudet's federal appropriation was generally immune from these trends, but the conversations in Congress over the past five years about federal spending levels have made slow growth in the appropriation a reality.

The University Planning and Budget Committee (UPBC) fully supports the President and her work on setting the University's strategic priorities and ultimately the strategic plan to leverage the University's assets and expertise to maximize its potential and adapt to the changing trends facing higher education. The UPBC recognizes that the strategic plan should inform the budget, and that "budgeting must be the short-term quantitative embodiment of the institution's strategic plan."⁵

¹ Board Of Trustees Names Roberta "Bobbi" Cordano To Serve As University's Next President. (n.d.). Retrieved May 02, 2016, from <http://www.gallaudet.edu/news/cordano-new-president-.html>

² President Cordano gives State of the University address. (n.d.). Retrieved May 02, 2016, from <http://www.gallaudet.edu/news/sotu.html>

³ S&P Global Ratings' Credit Research. (). U.S. Not-For-Profit Private Universities' Fiscal 2014 Median Ratios: Demand Is Stable But Flat Margins Signal Stress Jul 10, 2015. New York, NY

⁴ Moody's: Colleges have entered the new normal of flat tuition revenue. (n.d.). Retrieved May 02, 2016, from <https://www.washingtonpost.com/news/grade-point/wp/2015/11/19/moodys-colleges-have-entered-the-new-normal-of-flat-tuition-revenue/>

⁵ "Next Level Budgeting | Grant Thornton." *Next Level Budgeting* | Grant Thornton. N.p., n.d. Web. 02 May 2016.

However, the challenge facing the UPBC during the fiscal year (FY) 2017 budget process was that the budget needed to be prepared before the priorities were finalized. As a result, the UPBC worked to establish a budget that would give President Cordano the flexibility needed to align resources with the strategic priorities and agreed to not take any short-term actions that would negatively impact the long-term vision for the University.

The UPBC went into the FY 2017 budget process knowing that the prior year investments in infrastructure and programs would have impacts to the current expenses, but that the expected payoff might not occur until after FY 2017. The largest area impacted by the prior year investments was related to depreciation expense on two large infrastructure projects – the Hall Memorial Building laboratory renovations and the new residence hall for the Model Secondary School for the Deaf (MSSD). Gallaudet was fortunate to be able to fund the projects through the University's capital budget process and in the case of the MSSD residence hall, separately appropriated federal capital funds. However, both projects need to be depreciated over the life of the assets, and Gallaudet's policy is to fund all depreciation out of its operating budget. The UPBC, therefore, needed to fund an additional \$2.1 million of depreciation in the FY 2017 budget.

The UPBC was very pleased to see that the FY 2017 revenue budget increased by \$3.7 million, or 2.1%, which is consistent with what most of higher education is experiencing. According to Moody's, extremely modest revenue and asset growth (no more than 3%) is predicted in 2016.⁶ Gallaudet's FY 2017 revenue growth was not enough to cover the added depreciation along with increased payroll, benefits, and other expense growth. The UPBC has confidence that President Cordano's vision, optimism, and sense of determination will inspire the campus community and lead to future revenue growth.

In prior years, the UPBC has recommended a reduction in headcount or other expenses to close the gap. However, in the interest of providing President Cordano and the administration flexibility and time to determine the appropriate allocation of resources needed when the priorities are finalized, the UPBC chose to provide a list of potential options to close the gap in FY 2017. The UPBC acknowledges its responsibility to prepare a balanced budget for the May 2016 Board of Trustees' Meeting and recognizes that "Agility in execution and monitoring is as important as the (original) plan."⁷ With that in mind, the UPBC has full confidence that President Cordano and the administration will make appropriate and judicious decisions.

The UPBC has identified potential options for the administration to consider as additional information becomes available (e.g. Fall 2016 enrollment, September 30th endowment market value, donor and federal funding, resource needs for priorities, etc.). The potential list includes but is not limited to:

- Increasing the enrollment revenue budget 25 U.S. fulltime residential students*
- Reducing the UPBC recommended \$2 million salary treatment to \$1 million or delaying the effective start date*
- Eliminating the \$2 million salary treatment recommendation
- Increasing operating contributions 10%.*

⁶ Thomason, Andy. "Moody's Upgrades Higher Ed's Outlook from 'Negative' to 'Stable,'" *The Chronicle of Higher Education*, July 20, 2015.

⁷ Setting aside uncertainty in strategic planning | Grant Thornton. (n.d.). Retrieved May 02, 2016, from <http://www.grantthornton.com/issues/library/whitepapers/nfp/2016/SoHE-2016/Setting-aside-uncertainty-strategic-planning.aspx>

- Reducing the contingency \$500 thousand*
- Reducing division non-payroll spending by \$1 million*
- Requesting a one-time additional payout from the endowment to support priorities

*Note: * indicates that the item was built into the FY2017 budget as an assumed option in order to present a balanced budget.*

Finally, the UPBC recognizes the essential connection between planning and fiscal resource allocation in the attainment of the University's priorities within the costs of day-to-day operation. The members desire to be effective guides and stewards of the University's funds consistent with its defined role and recognize that current systems, information access, and communication channels impact its effectiveness. The committee aspires to be a part of the effort to better define and understand its role, improve strategic resource allocation and multi-year budgeting systems, and communication process so that it can serve as intended and support the work of the President and Executive Team. The UPBC looks forward to FY 2018 budget process.

The UPBC submits the following FY 2017 recommendations:

Operating Budget Levels

The UPBC recommends establishing the operating budget for FY 2017 at \$176.7 million. This budget assumes a flat federal appropriation over the FY 2016 level and enrollment projections as prepared and presented by the Office of Institutional Research. The expense budget will fund depreciation at \$14.8 million and give flexibility to the administration to align expenses to strategic priorities as they are finalized. Per the Board of Trustees' and the administration's direction, the proposed operating budget yields an operating surplus. The planned surplus for FY 2017 is recommended at \$2.1 million or one percent.

Division Requests

The UPBC also agreed that additional initiatives, as requested by the divisions and prioritized by the UPBC, be considered for funding should additional funds become available. In FY 2014, the UPBC developed and implemented a budget formulation process that was designed to provide funding to division initiatives for one year (FY 2015). This process was continued for the FY 2016 and FY 2017 budget formulation. The UPBC received fourteen requests for additional funding from divisions in FY 2017. Requests were evaluated by the UPBC using the following criteria:

- Innovative deployment of resources that have the potential to increase revenue or enrollment,
- Preservation or enhancement of the quality or safety of the educational experience for students,
- Maintenance or enhancement of competitiveness in recruiting and retaining students, faculty, and staff,
- Efficiency measure with the potential to reduce employee headcount,
- Centrality to mission and relationship to Gallaudet Strategic Plan (GSP) and Clerc Center Strategic Plan (CCSP) goals,
- Legally required expense (e.g. Americans with Disabilities Act (ADA) compliance, life necessity, accreditation, etc.), and,
- Fiscal feasibility

Requests for additional funding from divisions, as prioritized by the UPBC are included as **Appendix C**. The UPBC recommends that these requests be considered for funding if additional funds become available.

Salary Treatment for Employees

The UPBC recognizes the vital role of employees in achieving the University's mission by acknowledging their continued commitment and contributions. The UPBC also recognizes the challenge faced by the University of maintaining the competitiveness of salaries, while striving to reward employees who are performing at the highest levels. The economic need to remain competitive demands that \$2 million be reserved for salary treatment, at the discretion of the President.

- The UPBC recommends a review of the evaluation system of all University employees to ensure an equitable process and timely completion of all evaluations.
- The UPBC feels strongly that the return of Merit Increase awards (to reward high performers) be a high priority for the University and be implemented next fiscal year, FY 2018.

Fundraising

The UPBC also recommends that a review be conducted to determine whether raising the Institutional Advancement Office's goals for fundraising to help supplement operating costs, scholarships, and focused areas following University priorities would be beneficial. The goals in these areas have been flat for many years, and innovative ideas are needed to increase donations to offset costs. As President Cordano's strategic priorities are rolled out, the UPBC sees this as an opportunity to seek additional gifts from interested donors to support these initiatives. The UPBC recognizes that while this is a promising area for growth that it may take time to develop and strengthen new donor relationships.

Capital Budget

The UPBC recommends that the FY2017 capital budget amount be set at \$12.7 million. As discussed more fully in the FY2017 Capital Budget section later in the document, this budget will be allocated toward three areas of focus:

- \$4.12 million for the deferred maintenance needs of the University's existing physical plant and infrastructure,
- \$1.5 million for the furniture, equipment, and technology needs of Gallaudet's classrooms, residence halls and public spaces, and,
- \$7.08 million for major capital projects under the 2022 Campus Plan.

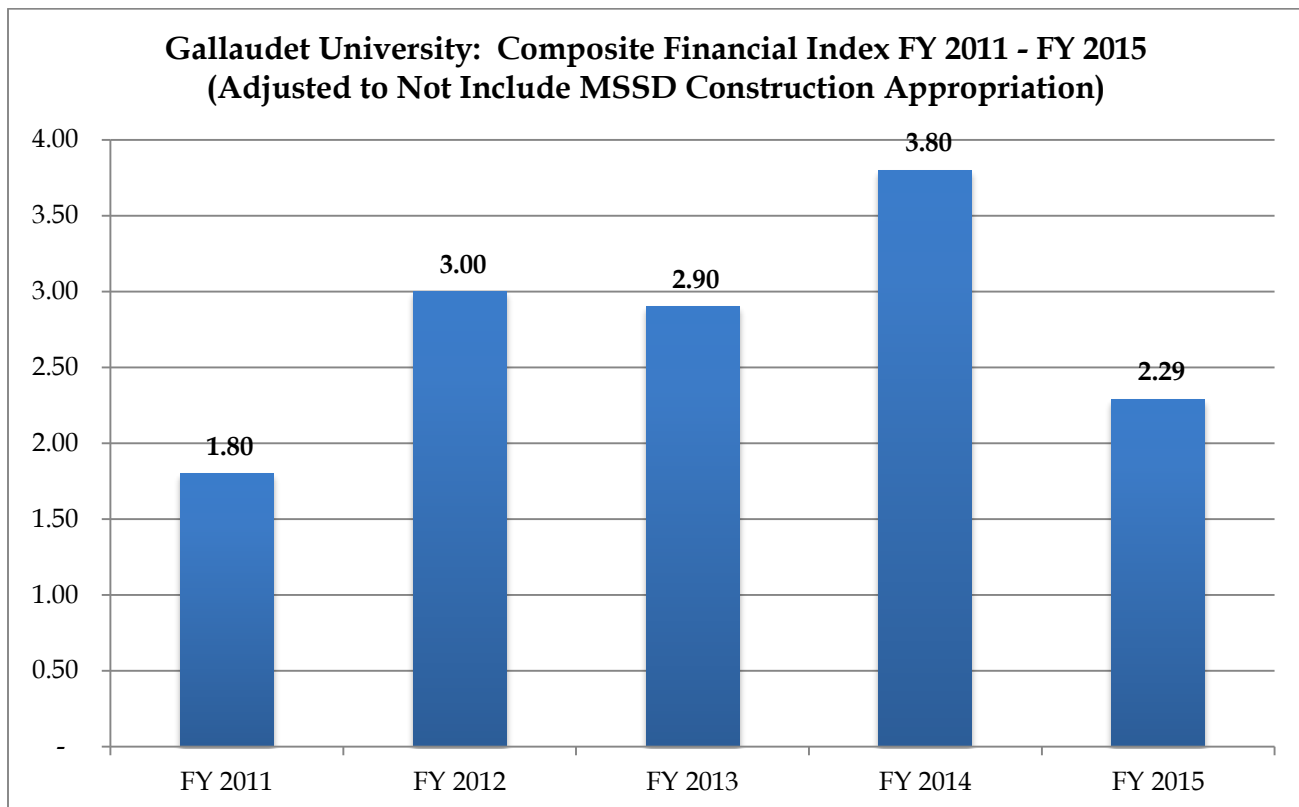
COMPOSITE FINANCIAL INDEX

As Gallaudet continues its transformation, it is critical that the Board of Trustees and administration have the tools to understand the Institution's financial position in the marketplace and to assess the affordability of a strategic plan. The Composite Financial Index (CFI), considered a best practice in higher education, can help with just that.

The CFI is a combination of four financial metrics that measures the overall financial health of the institution. These include:

1. Primary Reserve Ratio – A measure of the level of financial flexibility
2. Net Operating Revenue Ratio – A measure of the operating performance
3. Return on Net Assets Ratio – A measure of the overall asset return and performance
4. Viability Ratio – A measure of the ability to cover debt with available resources.

The CFI was developed by BearingPoint, Inc., KPMG, and Prager, Sealy & Co. in their publication "Ratio Analysis in Higher Education." The CFI focuses on the evaluation of an institution's use of financial resources to achieve its mission. CFI is quantified on a progressive scale of one to ten, with one indicating the need to assess the viability to survive and ten indicating strong financial indicators.



Based on reviewing Gallaudet's performance over the past few fiscal years, as shown in the table above, Gallaudet's CFI historically falls in the range where the advice from "Ratio Analysis in Higher Education" is to direct resources toward becoming a stronger institution and moving to the next level. For institutions with long-term debt, such as Gallaudet, a target CFI would be 3.0-4.0. A score greater

than 3 indicates an opportunity for strategic investment of institutional resources to optimize the achievement of the institutional mission.

As shown on the previous page, Gallaudet's FY 2015 CFI is a 2.29, which is lower than the ratio has been in recent years and lower than the target ratio. The decline here is almost entirely due to the sustained macro uncertainty and negative returns prevailing in 2015 financial markets and thus in Gallaudet's related endowment investment non-operating performance. The CFI is not supposed to be looked at in one-year increments, but rather as part of a trend analysis. In evaluating Gallaudet's performance over the past five years, the University remains in a prime position to be able to re-engineer the Institution and to direct institutional resources to allow transformation.

CFI SCORING SCALE

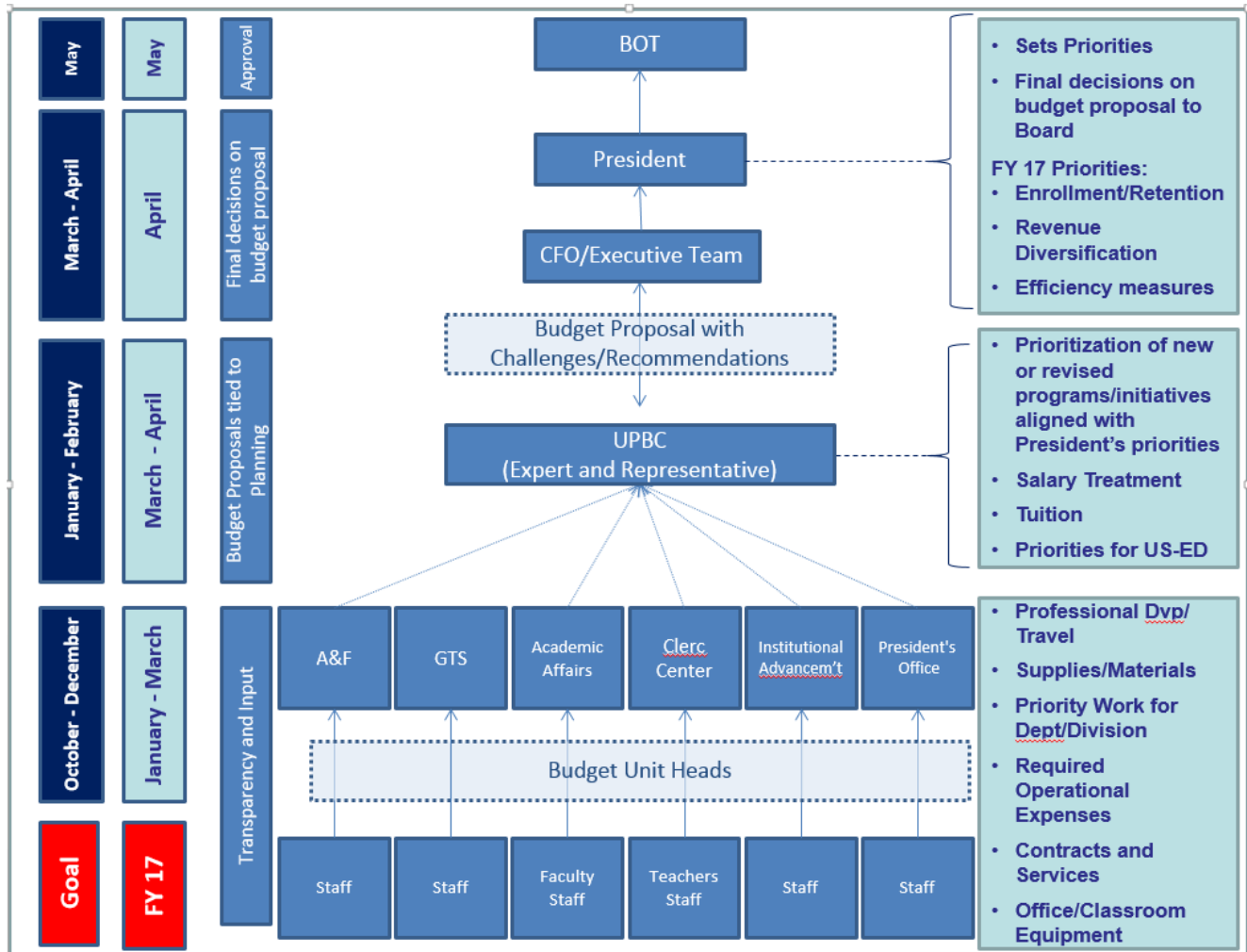
| -4 | -3 | -2 | -1 | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|---|---|---|---|-----------------------------|--|---|--|---|--|--|---|---|----|
| Consider whether financial exigency is appropriate | | | | | | | | | | | | | | |
| | With likely large liquidity and debt compliance issues, consider structured programs to conserve cash | | | | | | | | | | | | | |
| | | Assess debt and Department of Education compliance and remediation issues | | | | | | | | | | | | |
| | | | Consider substantive programmatic adjustments | | | | | | | | | | | |
| | | | | | Re-engineer the institution | | | | | | | | | |
| | | | | | | Direct institutional resources to allow transformation | | | | | | | | |
| | | | | | | | | Focus resources to compete in future state | | | | | | |
| | | | | | | | | | | Allow experimentation with new initiatives | | | | |
| | | | | | | | | | | | Deploy resources to achieve a robust mission | | | |

Source: Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, 2010, Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC.

FY 2017 PROPOSED BUDGET FORMULATION PROCESS

The UPBC was established in the fall 2011. The UPBC comprises faculty, staff, and administrators from across Gallaudet. According to previous Gallaudet President Hurwitz, the UPBC is “responsible for 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.”

Below is a list of key FY 2017 proposed budget formulation activities.

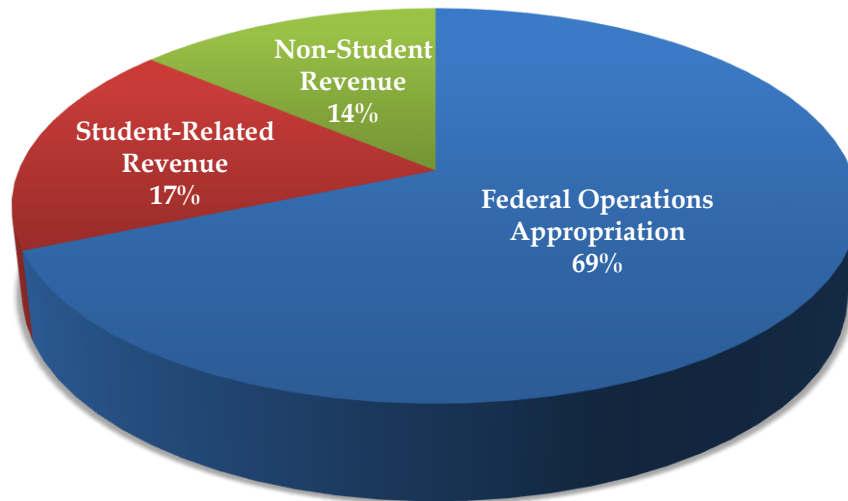


PROPOSED FY 2017 OPERATIONS REVENUE BUDGET

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 2017 Proposed Budget | % of Total | FY 2016 Budget | % of Total |
| Federal Appropriations - Operations | \$121,275 | 69% | \$120,275 | 69% |
| Tuition and Fees | 27,995 | | 25,875 | |
| Less: Scholarship Aid | (10,380) | | (9,057) | |
| Net Tuition and Fees | 17,615 | 10% | 16,818 | 10% |
| Grants and Contracts | 3,000 | 2% | 3,000 | 2% |
| Investment Income - Operations | 7,500 | 4% | 8,416 | 4% |
| Auxiliary Enterprises | 23,210 | 13% | 20,612 | 12% |
| Contributions | 3,300 | 2% | 3,000 | 2% |
| Other | 800 | 0% | 879 | 1% |
| Total | \$176,700 | | \$173,000 | |

**Proposed FY 2017 Operating Revenue Budget by Sources of Funds
(Total = \$176.7 Million)**



Federal appropriation

FY 2017 Projected Federal Appropriation with Recent History (dollars in thousands)

| | Proposed FY 2017 | Budgeted FY 2016 | Actual FY 2015 | Actual FY 2014 |
|--------------------------------------|---------------------|---------------------|-------------------|-------------------|
| Federal appropriation for operations | \$121,275 | \$120,275 | \$120,275 | \$119,000 |

Operating under the Bipartisan Budget Act of 2015 (Public Law 114-74, which sets discretionary spending limits in FY 2016 and FY 2017), Gallaudet received an appropriation for \$121.275 million, an increase of \$1 million from the FY 2015 appropriation. President Obama's FY 2017 budget proposal includes a \$121.275 million appropriation for Gallaudet.⁸ The University's proposed FY 2017 budget is based on both the FY 2016 actual appropriation and the President's FY 2017 budget presented to Congress. 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 |
|-------------|-----------|------------|--------------|
| 2016 | \$121,275 | \$121,275 | \$0 |
| 2015 | \$120,275 | \$120,275 | \$0 |
| 2014 | \$119,000 | \$119,000 | \$0 |
| 2013 | \$118,951 | \$111,393 | \$7,558 |
| 2012 | \$125,516 | \$117,541 | \$7,975 |

Tuition and Fees

FY 2017 Proposed Tuition and Fees Revenue Budget with Recent History (dollars in thousands)

| | Proposed FY 2017 | Budget FY 2016 | Actual FY 2015 | Actual FY 2014 |
|-----------------|---------------------|-------------------|-------------------|-------------------|
| Gross Tuition | \$27,995 | \$25,875 | \$25,469 | 25,123 |
| Scholarship Aid | (10,380) | (9,057) | (8,038) | (7,541) |
| Net Tuition | \$17,615 | \$16,818 | \$17,431 | \$17,582 |

The revenue from tuition and fees, as proposed above, reflects the Board-approved 3 percent increase for fall 2016 tuition.⁹ The UPBC has considered tuition trends of peer institutions, as well as the advice of a national consultant engaged to help the University on enrollment matters, and recommends a tuition increase in the range of two to four percent for fall 2017. The FY 2017 proposed budget assumed a three percent increase for fall 2017. A one percent increase in tuition would cost the average student approximately \$150 more per year, and would result in additional net tuition revenue of approximately \$140 thousand.

⁸ "President's FY 2017 Budget Request for the U.S. Department of Education." *President's FY 2017 Budget Request for the U.S. Department of Education*. N.p., n.d. Web. 02 May 2016.

⁹ During the May 2015 Board of Trustees' meeting, the Board approved a three percent increase for academic year 2015-2016 tuition.

According to the College Board, between 2014-15 and 2015-16, average published tuition and fee prices increased by 2.9 percent for in-state students in the public four-year sector, and by 3.6 percent at private nonprofit four-year institutions.¹⁰ These remain consistent with the rate increases in the prior year, which at the time were considered the lowest average annual increases in the past 10 years. Given the number of options and increased price sensitivity that students and families face as well as the high financial need levels of Gallaudet's families, keeping the tuition increases modest was a high priority for the UPBC.

The overall projected enrollment for FY 2017 is expected to remain consistent with the actual number of students in Fall 2016. The undergraduate population is expected to increase by 4 percent, while the graduate school population is expected to decrease by 7.5 percent. Most of the changes in both populations are due to new student recruiting, as overall retention has been stable in the undergraduate and graduate programs.

Within the undergraduate programs, there has been a strategic decision to capitalize on transfer students. Nationally, the number of transfer students continues to increase, with studies showing that over one-third of students will transfer at some point in their college career.¹¹ In addition, transfer students' academic performance and completion rates at Gallaudet have been very positive. As a result, Gallaudet has implemented several positive steps to make it easier for students to transfer to Gallaudet. The University now has six articulation agreements with community colleges that facilitate students' transfer into the Bachelor of Arts in Interpretation program. In addition, within the Admissions Office, there is now one professional staff member who works exclusively with transfer prospects and applicants. The office also works closely with the Office of the Registrar to expedite transfer credit applicants, and has eliminated the ACT requirement for prospects with a certain number of successfully completed English and mathematics courses, or with a certain number of college credits.

Gallaudet continues to take significant actions to build on a stronger foundation for future recruitment efforts. The University is optimistic that these steps will continue to result in improved understanding of the market; more targeted, efficient and effective recruitment strategies; improved and coordinated outreach to school counselors and Vocational Rehabilitation (VR) counselors; and strategies to improve retention and graduation rates. Throughout FY 2016, Gallaudet has been actively engaged in the following efforts:

- Implementing a new brand for Gallaudet and incorporating that brand into a redesigned website and communications.
- Conducting outreach and communication to families on affordability and financial responsibility beginning in Admissions and continuing with the Financial Aid Office throughout the student's time at Gallaudet.
- Improving retention efforts focusing on coordinated communication, early intervention and customer service.
- Reviewing and coordinating efforts to systematically rebuild relationships with VR agencies.

¹⁰ Ma, Jennifer, Sandy Baum, Matea Pender, and D'Wayne Bell. *Trends in College Pricing*. Rep. The College Board, 2015. Web. 2 May 2016. <<http://trends.collegeboard.org/sites/default/files/2015-trends-college-pricing-final-508.pdf>>.

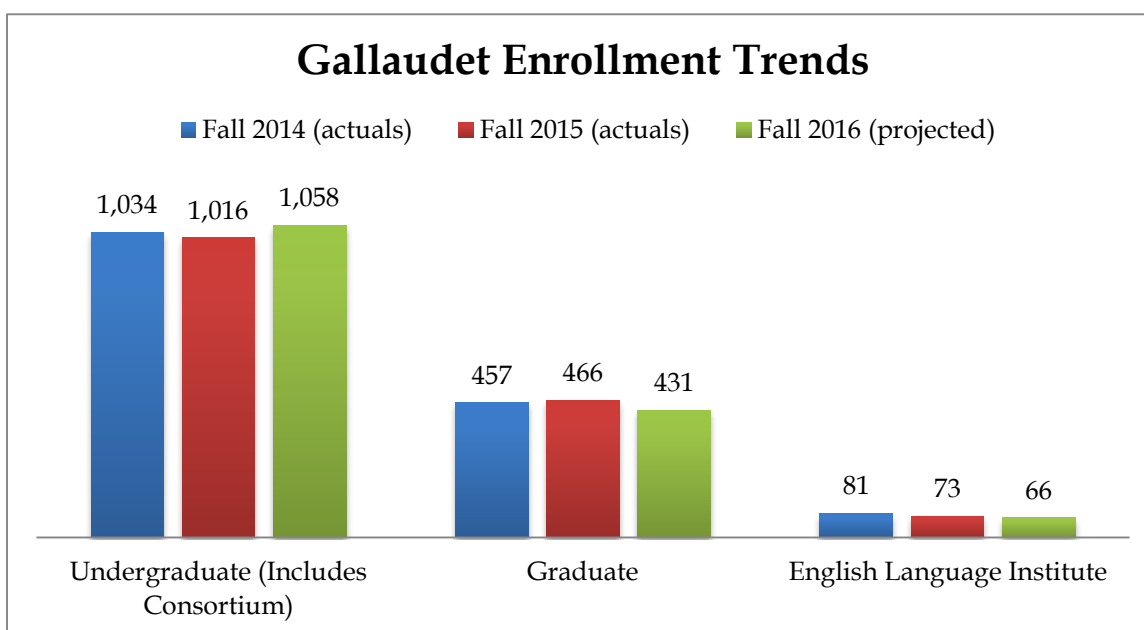
¹¹ "A Third of Students Transfer Before Graduating." *The Chronicle of Higher Education*. N.p., 2012. Web. 02 May 2016.

The proposed tuition and fees revenue is based on the enrollment shown in the table below.

Enrollment Projection

| | Projected FY 2017 | | | | | | |
|-------------------------------------|-------------------|--------------|------------|--------------|--------------|------------|-------------|
| | Fall 2016 | | | Spring 2017 | | | Summer 2017 |
| | Total | Full-time | Part-time | Total | Full-time | Part-time | Total |
| Undergraduate (includes consortium) | 1,058 | 1,005 | 53 | 990 | 942 | 48 | 196 |
| Graduate | 431 | 304 | 127 | 398 | 280 | 118 | 204 |
| English Language Institute | 66 | 66 | 0 | 66 | 66 | 0 | 10 |
| Total University Enrollment | 1,555 | 1,375 | 180 | 1,454 | 1,288 | 166 | 410 |

Enrollment changes over the past three years can be seen in more detail below.



Scholarship Aid

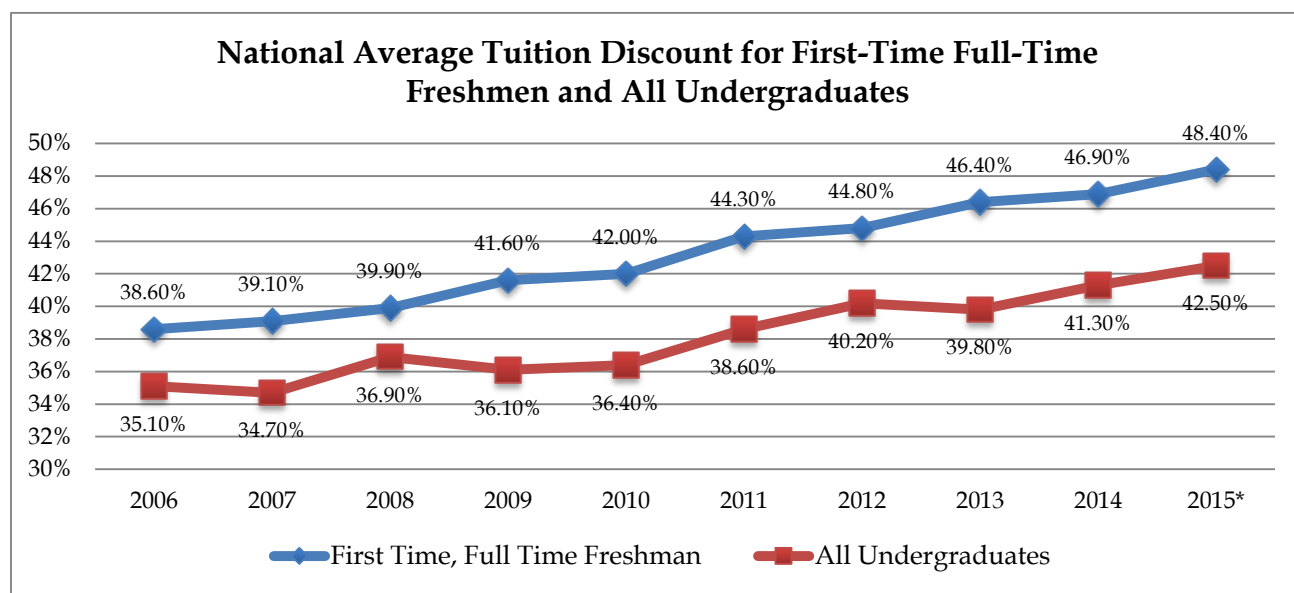
FY 2017 Proposed Scholarship Aid Budget with Recent History (dollars in thousands)

| | Proposed FY 2017 | Budget FY 2016 | Actual FY 2015 | Actual FY 2014 |
|-----------------|------------------|----------------|----------------|----------------|
| Scholarship Aid | \$(10,380) | \$(9,057) | \$(8,038) | \$(7,541) |

In FY 2013, Gallaudet began working with a nationally recognized financial aid consultant to assist with evaluating the effectiveness of the University's current financial aid strategies and re-configuring its aid packages to optimize enrollment and net tuition. Extensive analysis of the past four years'

financial aid awards has provided insights into students' and/or their family's ability and willingness to pay the necessary tuition and fees to attend Gallaudet. The pool of potential students was analyzed using several demographics. The analysis revealed the enrollment patterns for each demographic group depended 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.

Nationally, increased competition for students and price sensitivity among students and families is resulting in a higher tuition discount rate for incoming classes. According to NACUBO's 2015 Tuition Discounting Study, as competition and price sensitivity have increased, most schools, including Gallaudet, have increased their discount rates to help attract and enroll students, as seen in the graph below.¹²



The driving force behind increasing discount rates tends to be the rising discount rate for the first-time, full-time freshmen, which is usually the group who receives the largest discount on campus. At Gallaudet, the consultant advised a discount rate of approximately 45 percent for academic-year 2014-2015, 48 percent for academic year 2015-2016, and 52 percent for academic year 2016-2017. These recommendations are based on the consultant's evaluation of the incoming class's financial needs, ability and willingness to pay, and looking at the patterns associated with returning students and their requests for additional financial aid. The goal is to set a discount rate, where students and families do not make decisions based on the financial aid package received. Academic year 2015-2016 was the first time that the data indicated the financial aid package was not a factor in the decision for students to decide whether or not to come to Gallaudet.

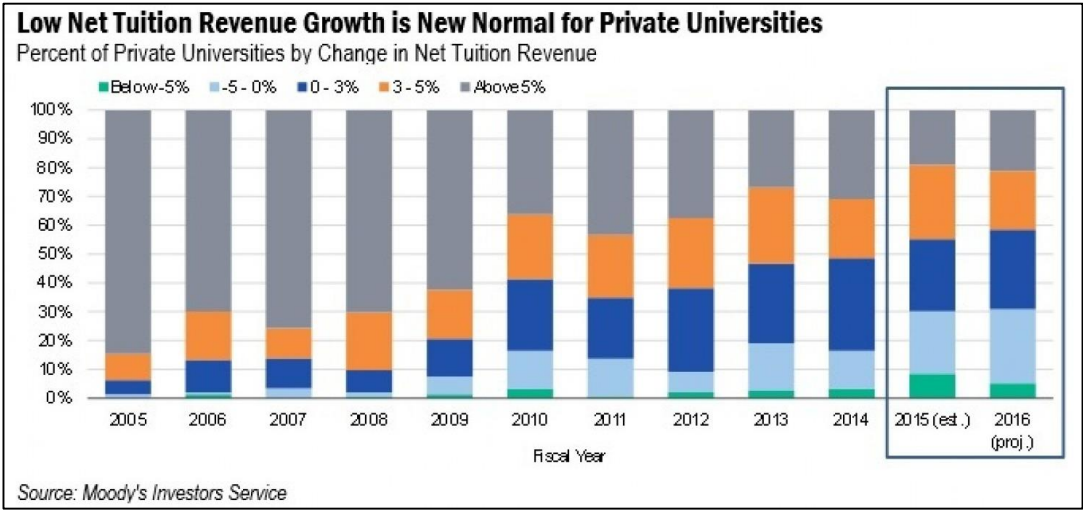
Using these first-year, full-time freshmen discount rates and actual discount rates for current returning students, the FY 2017 financial aid strategies are projected to yield an overall discount rate of approximately 37 percent, as compared to 35 percent in the prior year. For this purpose, discount rate

¹² NACUBO 2015 Tuition Discounting Study.

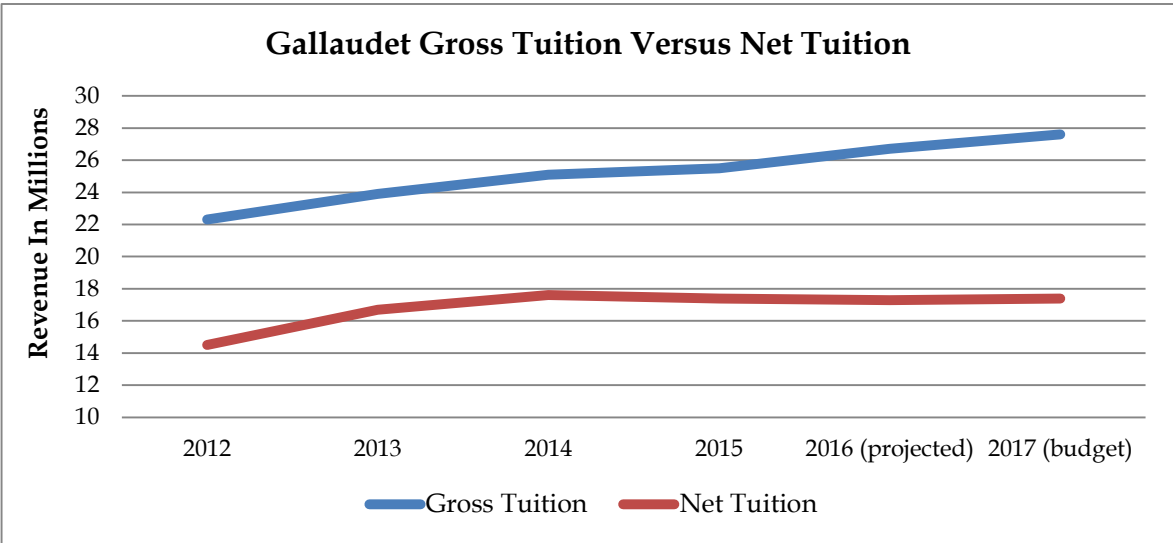
is calculated as total institutional aid divided by the billable tuition and fees. The University will continue to analyze whether institutional funds are being applied in the most strategic manner to optimize enrollment and net tuition revenue.

Net Tuition Revenue

Universities need to increase net tuition revenue on an annual basis to help support expense growth. However, at many schools, it is becoming harder to see net tuition growth. Any combination of lower enrollment, a lower tuition increase than previous years, or a higher discount rate may result in a decrease of net tuition revenue. According to Moody’s, approximately 30 percent of private colleges are projecting net tuition revenue declines in fiscal year 2015 and 2016, as is shown in the chart below.



Gallaudet’s change in net tuition revenue over the past three years has been 5%, 0%, and 0%, for FY 2014, FY 2015, and FY 2016 (projected). The FY 2017 budget includes net tuition revenue growth of 1.5% compared to the FY 2016 projection as of April 2016. As seen in the chart below, while Gallaudet’s gross tuition has been increasing since 2011, in recent years, the net tuition has been flattening, which will be something to continue to monitor.

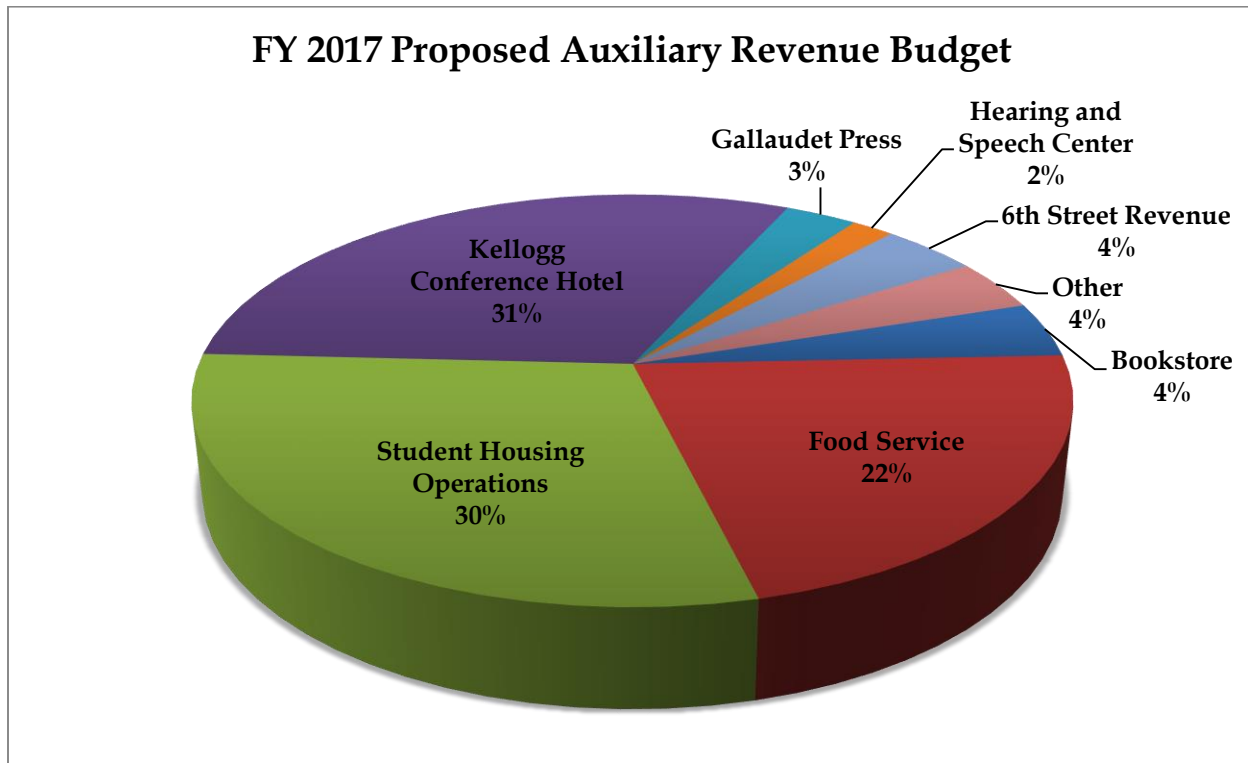


Auxiliary Enterprises

*FY 2017 Proposed Auxiliary Enterprises Budget with Recent History
(dollars in thousands)*

| | Proposed FY 2017 | Budget FY 2016 | Actual FY 2015 | Actual FY 2014 |
|-----------------------|---------------------|-------------------|-------------------|-------------------|
| Auxiliary Enterprises | \$23,210 | \$20,612 | \$21,518 | \$20,762 |

At Gallaudet, auxiliary revenues come from primarily revenue-generating or self-supporting activities such as the student residence halls, food service, Kellogg Conference Hotel, bookstore, and Gallaudet University Press. Approximately 60 percent of the auxiliary revenues are driven by student enrollment, with the remaining 40 percent being non-student related auxiliaries. As Gallaudet works to diversify its revenue streams, the University expects that non-student related auxiliaries will make up a greater percentage of this total. A full breakdown of auxiliary revenues by individual auxiliary units is illustrated in the graph below.



The largest student-related auxiliary enterprise is the University's residence hall operations. Revenues from the residence halls, not counting the incidental overnight and short-term visitors and apartments, are projected to be \$6.3 million. This is based on the assumption that Gallaudet will have 886 residents in the residence halls at the beginning of Academic Year 2016-2017. This is an increase of 2% from the number in residence during Fall 2015. For Academic Year 2016-2017, the UPBC recommended that the variable rates be set depending on amenities and demand, resulting in an aggregate increase of approximately two percent. A similar recommendation was made for Academic Year 2017-2018, and allows for first-year and second-year students to have the most affordable options available for housing. Other student-related auxiliary revenue projections are based on the projected enrollment numbers.

The largest non-student auxiliary enterprise is the Kellogg Conference Hotel. During FY 2014 and FY 2015, two large renovation projects were undertaken to make the Conference Hotel more attractive to a larger scale of conferences. The first was to redesign the public space and café on the first and second floors, which improved the setup and flow for large conferences and participants. The second was to design and build additional guest rooms on the third floor which allowed for more conference participants to stay onsite. Both were completed in March 2015, and the University expects to see annual revenues increase to \$7.2 million in FY 2017.

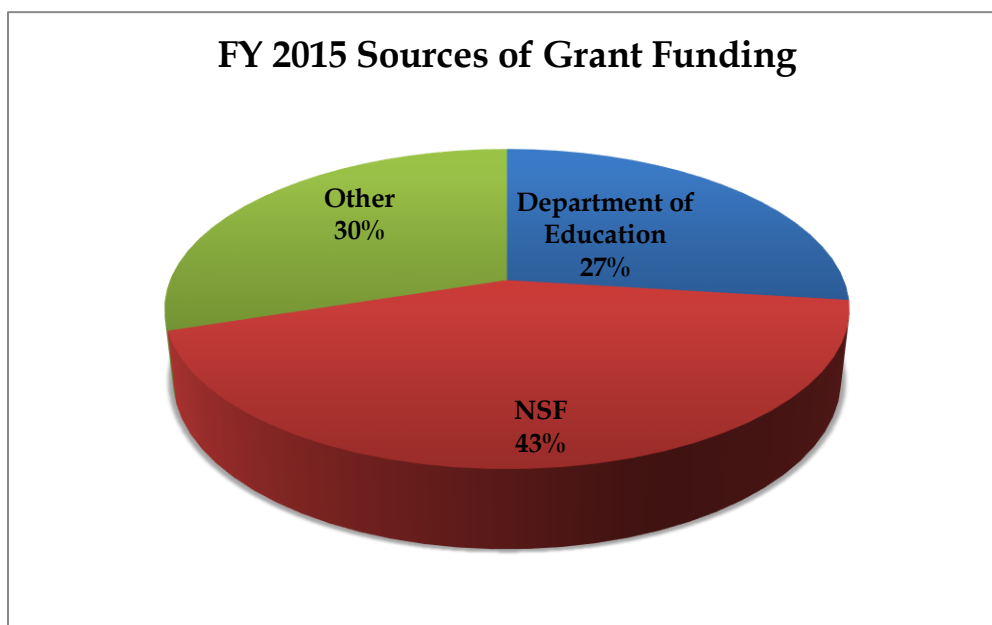
In FY 2015, Gallaudet signed a Development Agreement with a Real Estate Developer to develop four university-owned commercial parcels of land located adjacent to the Gallaudet campus. The Development Agreement includes a \$2.9 million irrevocable commitment fee from the Developer. The commitment fee is being amortized over 36 months and the FY 2017 budget includes approximately \$970 thousand related to this revenue source. It is expected that the related 85-year ground lease income will start to be recognized during FY 2018.

Grants and Contracts

*FY 2017 Proposed Grants and Contracts Budget with Recent History
(dollars in thousands)*

| | Proposed FY 2017 | Budget FY 2016 | Actual FY 2015 | Actual FY 2014 |
|----------------------|---------------------|-------------------|-------------------|-------------------|
| Grants and Contracts | \$3,000 | \$3,000 | \$3,474 | \$4,241 |

In forecasting revenue from grants and contracts, the University considered the schedules for current grants, the prospects of renewing existing grants and contracts, and the possibility of generating new grants and contracts with current resources. In the current economic climate, the pool of federal funding is steady and competition among institutions remains high.



Moody's stated in their 2016 Higher Education Outlook that "The November 2015 federal budget agreement will support some increase in federal grants in 2016 and 2017, likely in the 3% range during the outlook period. Research funding has been relatively flat over the last two years, with a heightened competitive environment resulting in declining research funding for some universities."¹³ Although research funding is expected to increase only modestly, Gallaudet continues to focus on finding new sources of funding and is committed to supporting growing research efforts as noted in the Strategic Plan Goal E.

The NSF/Gallaudet Center on Visual Language and Visual Learning (VL2), the Technology Access Program, and the Petitto Brain and Language Laboratory (BL2) continue to lead in deaf related fields of research. As institutionalization of VL2 occurs, funding mechanisms have been set in motion that will continue to capitalize on the research conducted over the past ten years. BL2 will continue to make Gallaudet a leading resource for language, reading, and bilingualism in the United States and around the world. With funding from the NSF's INSPIRES grant, Dr. Laura-Ann Petitto continues to expand boundaries, leading an interdisciplinary team to create a transformational learning tool that will impact the study of the human brain and behavior development vital for lifelong learning. VL2 and BL2 are generating new and promising grant activity among Gallaudet faculty, staff and students.

Gallaudet University's Technology Access Program worked in collaboration as a subawardee with the University of Wisconsin at Madison on a RERC Information and Technology Access grant for many years. As the grant came to a close, Gallaudet applied as the lead institution with Dr. Christian Vogler as Principal Investigator. Gallaudet won the competition and continues to collaborate with the University of Wisconsin, now serving as a Gallaudet subawardee. Dr. Vogler's work keeps Gallaudet at the forefront of communication accessibility research and engages in a range of activities including public presentations, advising advocacy organizations in lobbying regulatory agencies, and providing expert witnesses in legal proceedings. Future funding over the next three years will be awarded in increments of \$950,000 from DHHS.

Gallaudet University has shown its commitment to students by providing hands-on training and mentorship to the next generation of researchers. Through the mentorship of BL2, one PEN doctoral student has received the prestigious NIH F31 fellowship to support his predoctoral studies and two proposals are under review. In addition, two doctoral students from the Department of Hearing Speech and Language Sciences have received support from a faculty member in that department to apply for NIH predoctoral fellowships. Gallaudet continues to apply and receive funding for research, training and scholarships from the National Endowment for the Humanities, the National Endowment for the Arts, the U.S. Department of Education, and the NSF.

¹³ Moody's Investors Service. "Moderate Revenue Growth Supports Sector Stability," <http://www.cic.edu/News-and-Publications/Multimedia-Library/CICConferencePresentations/2016%20Presidents%20Institute/20160105-The%20Financial%20and%20Strategic%20Outlook%20for%20Private%20Colleges%201.pdf>, 02 December 2015.

Investment Income – Operations

*FY 2017 Proposed Investment Income (Operations) Budget with Recent History
(dollars in thousands)*

| | Proposed FY 2017 | Budget FY 2016 | Actual FY 2015 | Actual FY 2014 |
|----------------------------------|---------------------|-------------------|-------------------|-------------------|
| Investment Income for Operations | \$7,500 | \$8,416 | \$8,036 | \$7,373 |

The University's investment policy states it expects to annually spend 4.8 percent of the three-year average fair value of the endowment investments. Consequently, the annual endowment payout has a built-in delay in increasing or decreasing along with the financial markets. In February 2016, the University hired a new Investment Consultant to assist with revising the asset allocation in efforts to improve expected returns while reducing expected volatility and providing greater inflation protection. The original donor endowment gifts are to be held in perpetuity with the income to benefit the University today and in the future. As such, the endowment assets are invested with a long-term time horizon; however, they are not immune to short-term financial market volatility.

During extended periods of general market down cycles, an individual endowment "underwater" situation may occur. Underwater endowments are defined as those endowments in which the fair value of assets associated with individual donor-restricted endowment funds have fallen below the original value of the gift donated to the permanent endowment. At the end of FY 2015, the University had 110 endowments in this underwater situation. The University revised the investment policy annual distribution practice and has established the following scale to determine the annual payout for each individual endowment:

- An annual payout of 4.8 percent for endowments with fair market value (FMV) equal or exceeding the historic gift value (corpus amount) as measured each September 30th.
- An annual payout of 2 percent for endowments that have a FMV less than 100 percent of the corpus but greater than 80 percent as measured each September 30th.
- No annual payout to be made on endowments if the FMV has fallen under 80 percent of the corpus as measured each September 30th.

While it is not possible to accurately predict the financial markets, the following conservative assumptions were used to calculate the FY 2017 operating investment income:

- The Endowment fund pool has an approximate split of 94/6 unrestricted endowments to temporarily restricted endowments. The endowments designated as temporarily restricted have unique purposes and thus the related payout may not be used to offset division expenses.
- Additional donor contributions were not assumed.
- The Endowment fund pool investment return for the final six months of FY 2016 will be 1 percent. The expected 10 year return based on the endowment's current asset allocation is 6.8 percent; however, considering the recent 1 year lagging market volatility a more conservative approach was taken.
- The annual Endowment fund payout methodology will follow the policy noted above.
- Short-term investment vehicles for the University's excess cash will not produce a material return.

The table below illustrates the basis used to forecast FY 2017 investment income.

Basis for Estimating Investment Income for Operations

| | FY 2015 Actuals | FY 2016 Actuals | FY 2017 Projected |
|---|--------------------|--------------------|----------------------|
| 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 | 178,723,000 | 178,723,000 | 178,723,000 |
| FY14 Ending Market Value of the Endowment Pool | 191,280,000 | 191,280,000 | 191,280,000 |
| FY15 Ending Market Value of the Endowment Pool | | 172,447,000 | 172,447,000 |
| FY16 Ending Market Value of the Endowment Pool | | | 162,596,000 |
| Three Year Rolling Average | 174,490,000 | 180,816,700 | 175,441,000 |
| Net UR Payout Estimated (5% FY15, 4.8% FY16 & FY17) | 8,036,000 | 7,733,820 | 7,500,000 |
| Net TR Payout Estimated (5% FY15, 4.8% FY16 & FY17) | 567,000 | 458,700 | 420,000 |
| Total Investment Income Used for Operations | 8,036,000 | 7,733,820 | 7,500,000 |

Contributions

*FY 2017 Proposed Contributions with Recent History
(dollars in thousands)*

| | Proposed FY 2017 | Budget FY 2016 | Actual FY 2015 | Actual FY 2014 |
|---------------|---------------------|-------------------|-------------------|-------------------|
| Contributions | \$3,300 | \$3,000 | \$2,270 | \$3,008 |

Contributions budgeted for operations are collected through fundraising efforts that support expenses incurred through the normal course of University operations such as research, scholarships and academic support. The division of Institutional Advancement works diligently throughout the year to engage alumni, friends, the Board of Associates, and the Board of Trustees to make gifts that advance the University's mission and pursuit of excellence.

In late FY 2014, Gallaudet hired a new Vice President of Institutional Advancement to rebuild fundraising efforts. These renewed efforts generated multi-year gifts for innovative ideas and programs. Some of these gifts include a \$900 thousand gift from the W.M. Keck Foundation, a \$500 thousand gift from the Maguire Foundation to support the creation of a Risk Management and Insurance (RMI) Concentration within the Business Program, a \$250 thousand gift from the Cafritz Foundation to support ASL Connect, a \$100 thousand gift from the Arthur Vining Davis Foundation for setting up bilingual e-textbooks, and a \$100 thousand endowment gift from the England Family Foundation to support Entrepreneurship. As President Cordano's strategic priorities are rolled out, Gallaudet expects to seek additional gifts from interested donors to support these priorities. While the University sees this as a promising area for growth, the budget remains conservative in for FY 2017 in recognition that it may take time to develop and strengthen new donor relationships.

Other

*FY 2017 Proposed Other Income Budget with Recent History
(dollars in thousands)*

| | Proposed FY 2017 | Budget FY 2016 | Actual FY 2015 | Actual FY 2014 |
|---------------|---------------------|-------------------|-------------------|-------------------|
| Other Sources | \$800 | \$879 | \$1,187 | \$1,557 |

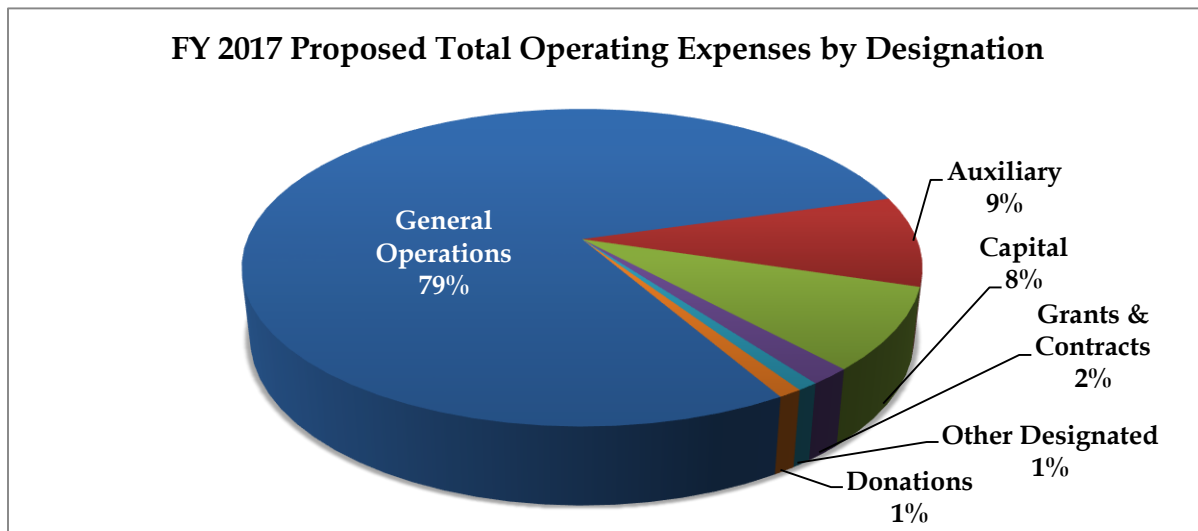
Other sources are comprised of a number of small activities such as ASL evaluations, outreach activities, theater ticket sales, use of athletic facilities, admission fees to athletics events, and summer activities.

PROPOSED FY 2017 OPERATIONS EXPENSE BUDGET

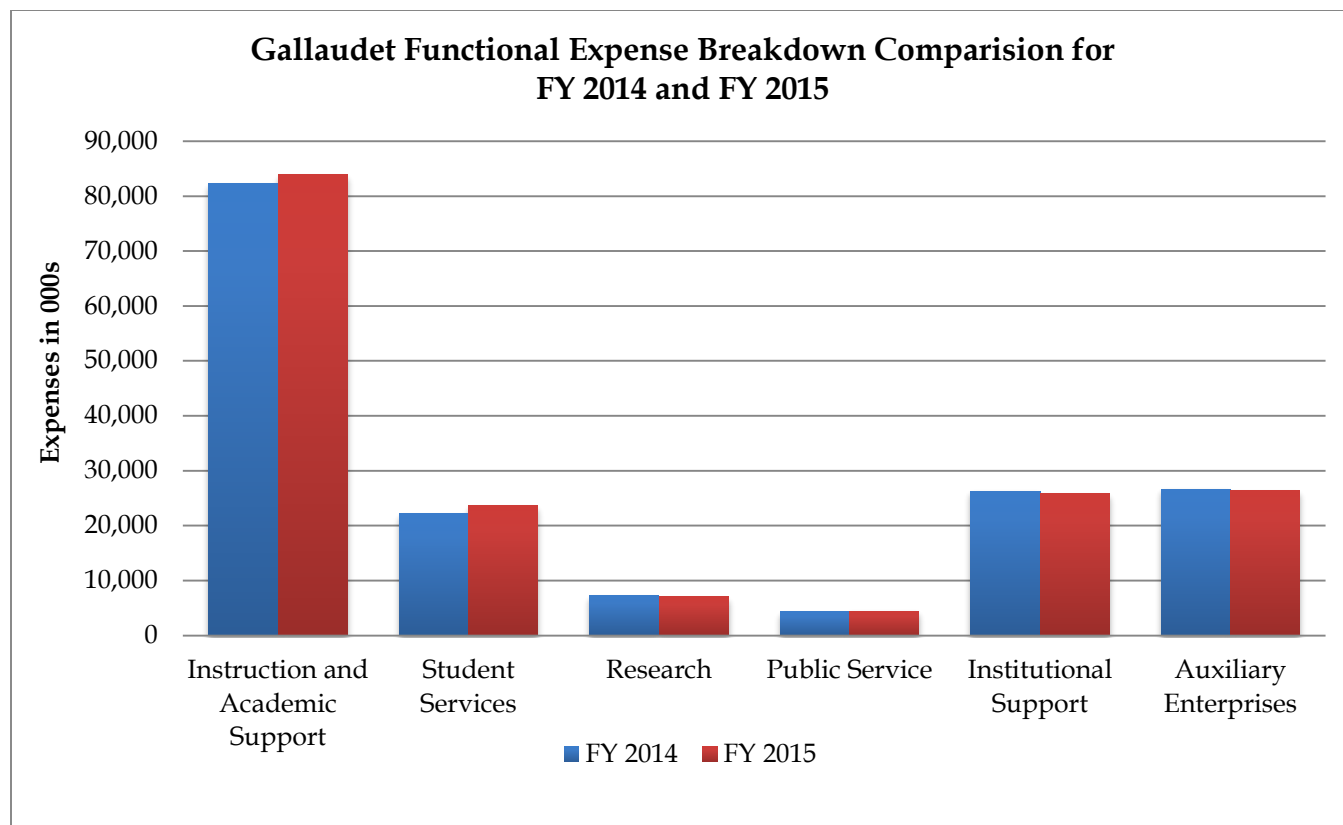
The table below provides a breakdown of the recommended operating expense budget by source of funds. A description of the basis for forecasting each component follows.

| OPERATING BUDGET BY NATURAL EXPENSE CATEGORIES (dollars in thousands) | | | | | | |
|--|---|-------------------------------|---------------|-----------------------------------|-------------------|---------------|
| Natural Expense Category | FY 2017 Proposed Position Allocation | FY 2017 Proposed Budget | % of Total | FY 2016 Position Allocation | FY 2016 Budget | % of Total |
| Payroll (includes both centralized payroll and non-centralized payroll) | 921 | \$111,360 | 63% | 910 | \$109,800 | 63% |
| Utilities | | \$5,750 | 3% | | \$6,000 | 3% |
| Depreciation | | \$14,800 | 8% | | \$12,700 | 7% |
| Interest on Bonds | | \$1,950 | 1% | | \$2,064 | 1% |
| Auxiliary Service Contracts | | \$11,070 | 6% | | \$10,098 | 6% |
| Professional Fees and Contracts | | \$7,820 | 4% | | \$7,862 | 5% |
| Consultants and Advisors | | \$3,220 | 2% | | \$3,231 | 2% |
| General Office Expenses | | \$7,080 | 4% | | \$6,936 | 4% |
| Furniture and Equipment | | \$1,510 | 1% | | \$1,499 | 1% |
| Travel and Transportation | | \$1,280 | 1% | | \$1,311 | 1% |
| Auxiliary Cost of Goods | | \$1,130 | 1% | | \$1,488 | 1% |
| External Access Services | | \$1,810 | 1% | | \$1,829 | 1% |
| Special Projects | | \$4,190 | 3% | | \$3,903 | 2% |
| Other Non-Payroll | | \$1,630 | 1% | | \$1,679 | 1% |
| Contingency | | \$2,100 | 1% | | \$2,600 | 2% |
| Total | | \$176,700 | | | \$173,000 | |

Of the \$176.7 million in total operating costs, not all is available for operations. The chart below shows the composition of the designated and undesignated breakdown of expenses. See Appendix B for additional details.



General operations make up \$139.7 million of Gallaudet’s total operating expenses, and are grouped according to program expenses and support activities. Approximately 60% of Gallaudet’s general operations goes to the divisions of Academic Affairs and the Clerc Center. In addition, as shown in the chart below, instruction and academic support and student services areas increased from FY 2014 to FY 2015, while other expenses were been flat or declining. This means that while total expenses have been increasing, the added expenses are going directly towards students. This trend is expected to continue in FY 2016 and FY 2017.



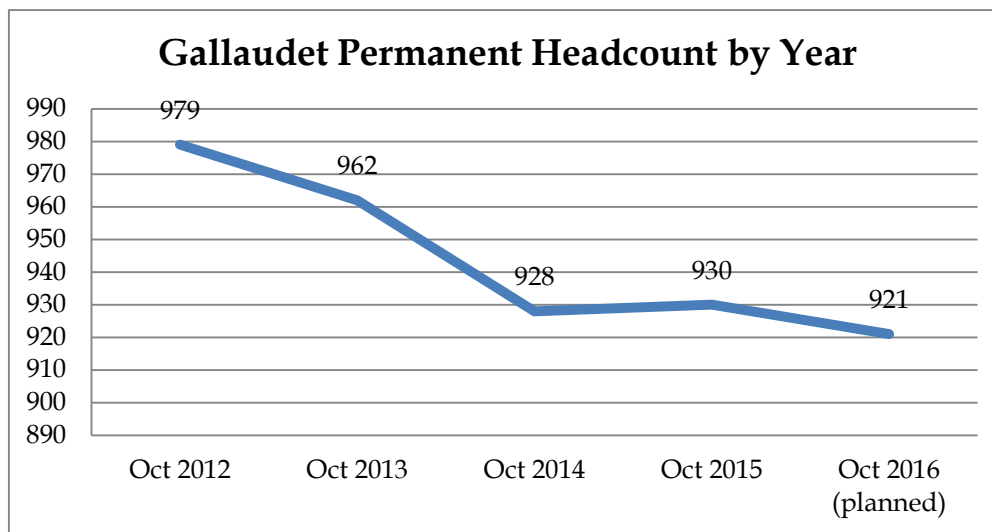
Payroll

*FY 2017 Proposed Payroll Budget with Recent History
(dollars in thousands)*

| | Proposed FY 2017 | Budgeted FY 2016 | Actual FY 2015 | Actual FY 2014 |
|---|---------------------|---------------------|-------------------|-------------------|
| Payroll (includes both centralized payroll and non-centralized payroll) | \$111,360 | \$109,800 | \$109,734 | \$107,810 |

In FY 2016 and FY 2017, the payroll budget represents the University’s largest operating expense at 63 percent of the total University operating expenses. In previous years, the employee count has intentionally trended downward, with the focus on right-sizing the faculty and staff. The FY 2016 budget called for the University to start the year with 925 positions and end the year at 910 positions. As of March 2016, Gallaudet’s employee count was 921. The proposed FY 2017 budget assumes that the University will have 921 employees throughout FY 2017. As stated earlier, this was done to

provide the President with the most flexibility to implement her strategic priorities and align them with the right resources. The chart below shows Gallaudet's headcount over the past five years.



The budgeted dollar increase year-over-year is attributable to an assumed two percent general pay increase for FY 2017, and an overall increase in benefit costs to the University. Gallaudet participates in the federal benefit programs managed by the Office of Personnel Management (OPM). One of the largest components of the federal benefit programs is the Federal Employee Retirement System (FERS) defined benefit retirement plan. On an annual basis, OPM informs the University of its required contribution percent. During FY 2015, there was a 15 percent increase in the percentage that Gallaudet is required to contribute. The increase in FY 2016 was much smaller, however, the FY 2017 budget factored in conservative estimates about increases.

Peer Comparisons

While the general pay increases over the past several years go a long way to make employees' salaries competitive with the University's peers, the University also evaluated employees' salaries through practicing the following 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 comparative 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 2015 AAUP survey results showed that faculty lagged behind the adjusted mean. The University Faculty Salaries and Benefits Committee will analyze the data further and make recommendations on how to narrow the gap of faculty ranks that are behind.
- **Clerc Center Teachers** – The Clerc Center performs an analysis every three years. 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 work days at those

schools as compared to those at the Clerc Center. Clerc Center teachers' salaries are currently comparable to the comparison districts in this study. This triennial analysis will be completed in Spring 2016 for consideration for future pay schedule adjustments.

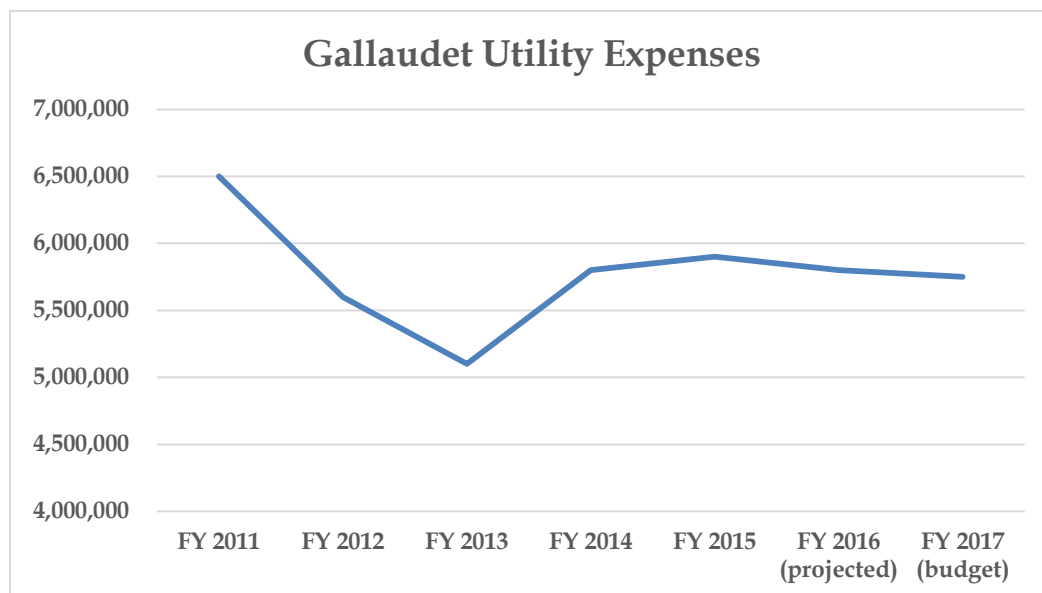
- **Staff** – Every three years the University collects competitive base salary information on more than 80 benchmarked positions. These positions are selected based on the following criteria: common with educational institutions, difficult to retain, market sensitive, representing all levels and functions within Gallaudet, and containing multiple incumbents. The competitive market used for the review is defined as education and non-profit institutions, 950 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 50th 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

*FY 2017 Proposed Utilities Budget with Recent History
(dollars in thousands)*

| | Proposed FY 2017 | Budgeted FY 2016 | Actual FY 2015 | Actual FY 2014 |
|-----------|---------------------|---------------------|-------------------|-------------------|
| Utilities | \$5,750 | \$6,000 | \$5,922 | \$5,787 |

In October 2015, Gallaudet hired an Energy and Sustainability manager to identify opportunities to reduce utility costs and ensure that previous investments in resource efficiency continue to provide expected benefits. Based on collaboration between the new manager and Johnson Controls, Inc. (JCI), Gallaudet has been able to reduce utility expenses during FY 2016, and is expected to continue to realize savings during FY 2017, as shown in the chart below.



Utility cost reduction will come from a combination of operational improvements, campus education, and targeted capital projects. No major changes in utility rates are expected in FY 2017.

Depreciation

*FY 2017 Proposed Depreciation Budget with Recent History
(dollars in thousands)*

| | Proposed FY 2017 | Budgeted FY 2016 | Actual FY 2015 | Actual FY 2014 |
|--------------|---------------------|---------------------|-------------------|-------------------|
| Depreciation | \$14,800 | \$12,700 | \$12,543 | \$12,266 |

The increase in depreciation for FY 2017 is primarily due to the completion of two major capital projects – the Hall Memorial Building laboratory project and the new MSSD residence hall. It is Gallaudet’s practice to fund depreciation as part of its operating budget. Historically, the budgeted amount for depreciation was set as the base budget for its capital budget. However, given the large increase in budgeted depreciation in FY 2017, the capital budget was kept at the FY 2016 level (see Capital Budget section for additional details).

Gallaudet capitalizes buildings, building improvements, outside improvements, software over \$25,000, and 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 |
| Furniture and equipment | 5 |
| Software | 3 |

Interest on Bonds

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 and Ballard 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 will continue to decline as serial bonds mature. By FY 2020, the interest expense will be \$1.8 million.

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, and access services. These categories amount to \$40.7 million or 23 percent of the expense budget and are generally division-controlled expenses, auxiliary enterprise expenses, or grant-, donation-, or endowment-supported expenses. See Appendix B for more details.

Contingency/Planned Operating Surplus

It is considered best practice in higher education for the net operating surplus to be in the range of two to four percent. Two percent would be approximately \$3.5 million for FY 2017. While the UPBC has been committed to increasing the planned surplus annually, with the goal of getting the contingency fund up to the minimum two percent operating surplus, the need to provide flexibility for the President's strategic priorities did not allow for that practice to continue in the FY 2017 budget. The contingency for the FY 2017 budget was reduced to \$2.1 million, or one percent of the operating budget.

PROPOSED FY 2017 CAPITAL BUDGET

In the recent years, Gallaudet has intentionally invested significantly in the University's facilities to support a better student experience, lower long-term utility costs, improve critical information technology infrastructures, and maintain safety. In FY 2016, the laboratories in Gallaudet's Science, Technology, and Mathematics (STM) program have been dramatically renovated, redesigned, and furnished, providing both new learning, teaching, and research workspaces and safer, attractive, environmentally friendly facilities for students and faculty. Also in FY 2016, construction began on a new residence hall at the Model Secondary School for the Deaf (MSSD) using separately appropriated federal funds. The new residence hall is envisioned as a vibrant residential community that offers its student residents with a home-away-from-home combined with a host of learning and social spaces that facilitate MSSD's rich mix of after-school programs. These two critical projects, as noted previously in the operating budget section, are main drivers in the increased depreciation expense projected in FY 2017. The general practice until FY 2017 has been to set the capital budget level to the projected level of depreciation. This practice was intended to assist with the objective to reinvest in or replace the institution's physical plant as it depreciates over time. However, given the large increase in budgeted depreciation in FY 2017, the capital budget was kept at the FY 2016 level.

The FY 2017 capital budget, like the operating budget, should align with University's strategic priorities as well as ensure safety is maintained and that critical information technology infrastructure supporting students, faculty and staff is kept updated. Understanding that the new administration's priorities are essential for determining specific major projects, the UPBC recognizes the need for flexibility to allow resources to be aligned as the priorities are identified.

The table below shows the plan for subdividing the amount among the three main components:

FY 2017 Capital Improvements Plan
(\$000s)

| Description | Amount |
|--|-----------------|
| Deferred Maintenance | \$4,120 |
| Upkeep of existing buildings, outside pavements, campus infrastructure, etc. | \$3,120 |
| Information technology network and phone system upgrade | \$1,000 |
| Annual Allocations | \$1,500 |
| Major Capital Improvement Projects | \$7,080 |
| Funds available pending a review of the progress under the 2022 Campus Plan | \$6,580 |
| Reserved for contingencies | \$500 |
| Budget for Capital Improvements | \$12,700 |

Deferred Maintenance: The allocation for deferred maintenance projects is set at two percent of net *Land, buildings and other property* as reported in the University's annual audited financial statements. With the \$206 million that Gallaudet reported in the net *Land, buildings and other property* line of the FY 2015 balance sheet, the allocation will be \$4.12 million.

The University generally uses this fund for the upkeep of its existing physical plant and infrastructure, such as parking garage rehabilitation, roof replacement, pavement and sidewalk resurfacing, boilers

and heating and cooling distribution systems, institution-wide information technology cables, network, and associated equipment and replacement of pipelines. Some of the largest projects in this component in FY 2017 will consist of:

- The second year of a three-year, \$3 million upgrade to Gallaudet's network and phone systems and equipment
- Upgrades to the campus electric feeders and system, spread over 6 years at a total cost of \$2.4 million
- Replacements and upgrades to insulation in buildings, cooling towers and chillers.

Annual Allocations: The University intends to continue allocating \$1.5 million toward the replacement or upgrades of the institution's furniture and equipment in the shared or general use spaces across the campus. In the next one to two years Gallaudet plans to focus on technology, furniture and equipment for classrooms, general use spaces, and residence halls, as well as vehicle replacements across the campus.

Major Capital Improvements Projects: At the time of this writing, the University is beginning the process of assessing how the 2022 Campus Plan individual projects could align with President Cordano's updated priorities. The projects vary widely from a complete replacement of Ely Hall with a 125,000 square feet academic and state-of-the-art research center to conversions of small amounts of space in various buildings for advancing academic, research, and administrative priorities. As the projects are selected for funding, it is necessary to be mindful of the impact of the rapidly rising depreciation expense on the future operating budgets.

The table below illustrates the impact on depreciation expense of expending every \$1 million of the capital budget on different types of construction projects and capital assets.

| Type of construction project or capital asset | Useful life for depreciation expense | Increase in depreciation expense |
|--|--------------------------------------|----------------------------------|
| A contemporary building | 40 years | \$25,000 |
| Outside improvements, e.g., parking lots, garages, athletic fields | 20 years | \$50,000 |
| Furniture and equipment | 5 years | \$200,000 |
| Major software development or upgrade | 3 years | \$333,333 |

APPENDIX A

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 help, although not exclusively, 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 Gallaudet Strategic Plan (GSP) and the Clerc Center Strategic Plan (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.

APPENDIX B

| FY 2017 Proposed Expense Budgets by Designation | | | | | | | | |
|---|---------------|--------------|--------------|--------------------|----------------------|-----------|-------------|---------------|
| | Fund 101 | Fund 102 | Fund 103 | Fund 104 | Fund 106 | Fund 107 | Fund 108 | |
| Description | General | Auxiliary | Capital | Grants & Contracts | Student Organization | Endowment | Donation | Grand Total |
| Total Centralized Payroll | \$91,758,300 | \$2,630,700 | \$0 | \$350,000 | \$0 | \$100,000 | \$100,000 | \$94,939,000 |
| Total Non-centralized Payroll | \$14,683,000 | \$894,000 | \$0 | \$560,000 | \$161,000 | \$45,000 | \$78,000 | \$16,421,000 |
| Total Payroll | \$106,441,300 | \$3,524,700 | \$0 | \$910,000 | \$161,000 | \$145,000 | \$178,000 | \$111,360,000 |
| Utilities | \$5,750,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$5,750,000 |
| Depreciation | \$0 | \$0 | \$14,800,000 | \$0 | \$0 | \$0 | \$0 | \$14,800,000 |
| Interest on Bonds | \$1,950,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,950,000 |
| Professional Fees/Service Contracts | \$7,808,039 | \$11,069,286 | \$0 | \$10,973 | \$0 | \$0 | \$0 | \$18,888,298 |
| Consultants and Advisors | \$2,171,365 | \$120,000 | \$0 | \$932,625 | \$0 | \$0 | \$0 | \$3,223,990 |
| General Office Expenses | \$6,068,162 | \$609,143 | \$0 | \$73,664 | \$327,048 | \$0 | \$0 | \$7,078,017 |
| Furniture and Equipment | \$1,062,247 | \$435,000 | \$0 | \$14,568 | \$0 | \$0 | \$0 | \$1,511,815 |
| Travel and Transportation | \$1,047,567 | \$17,500 | \$0 | \$76,748 | \$140,164 | \$0 | \$0 | \$1,281,979 |
| Auxiliary Cost of Goods Sold | \$0 | \$1,130,500 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,130,500 |
| External Access Services | \$1,609,666 | \$178,602 | \$0 | \$17,182 | \$0 | \$0 | \$0 | \$1,805,450 |
| Special Projects | \$1,928,973 | \$73,000 | \$0 | \$2 | \$100,000 | \$543,782 | \$1,542,000 | \$4,187,757 |
| Other Non-Payroll | \$1,437,956 | -\$870,000 | \$0 | \$964,238 | \$0 | \$100,000 | \$0 | \$1,632,194 |
| Contingency Fund | \$2,100,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2,100,000 |
| Total Non-payroll expenses | \$32,933,975 | \$12,763,031 | \$14,800,000 | \$2,090,000 | \$567,212 | \$643,782 | \$1,542,000 | \$65,340,000 |
| TOTAL EXPENSES | \$139,375,275 | \$16,287,731 | \$14,800,000 | \$3,000,000 | \$728,212 | \$788,782 | \$1,720,000 | \$176,700,000 |

APPENDIX C

| FY 2017 UPBC Requests from Divisions | | | |
|--------------------------------------|---|----------------|--|
| Academic Affairs | | | |
| Priority* | Request Name | Request Amount | Purpose |
| 2 | ASL Connect | \$825,000 | To further develop the infrastructure of Gallaudet's online presence, with ASL Connect as the flagship program. The infrastructure will include an online placement exam center and an online tutoring service for Gallaudet students, and possibly later for non-Gallaudet students. And to support hybrid/online courses not necessarily related to ASL and Deaf Studies in the future. |
| | Office of Students With Disabilities | \$80,000 | Because of a 60% growth in the number of students served by the Office for Students with Disabilities (OSWD) since 2008-2009, funds are requested for alternative-print materials (i.e., eBook large print, and Braille-format materials to students), library and lab aides, and readers/proctors to assist students with scholarly research, laboratory courses, examinations, and other academic activities. Also, support is needed for specialized equipment (e.g., adaptive furniture in the classroom such as electric, height-adjustable tables, etc.) |
| | ODES – Life Coach Program | \$56,700 | To re-establish a Life Coach mentoring and coaching program for Gallaudet students of color in pursuing various college success strategies and high impact practices. This is intended to improve the retention and graduation rates of students of color, encouraging participation in critical high-impact practices that lead to success, and to have a close relationship or non-classroom interactions with at least one faculty member. |
| | Youth Programs for Student Recruitment | \$163,000 | To further develop programs that generate interest in Gallaudet University through Summer Youth Programs, Academic Bowl, Battle of the Books, and a new National Literary Competition. As more and more students are thinking about their college choices earlier, we want to expand the number of summer camps we have for high school and middle school students, as well as expand the maximum number of campers we can accept every year. |
| 5 | Title IX Student Center Programs and Services | \$81,500 | To replace an expired 3-year, \$300,000 grant from The Office on Violence Against Women, ensuring that the University remains in compliance with Title IX, the Clery Act, and the Campus Sexual Violence Elimination Act. Implementation of these laws mandates preparation of educational programs and online training materials for the required annual training of administrators, faculty and staff with related responsibilities. |
| | Athletics | \$105,000 | To cover escalating costs of operating Athletics programs, e.g., annual increase in insurance costs, contractual athletic trainers, transportation, officiating fees, and student workers. |

| Priority* | Request Name | Request Amount | Purpose |
|-------------------------------------|--|----------------|---|
| 3 | Brain and Language Laboratory and Ph. D. program in Educational Neuroscience – fNIRS replacement | \$500,000 | To purchase a replacement for the present aging fNIRS system. This is needed for both the Gallaudet Ph.D. student training in Educational Neuroscience, and grant-funded research. The maintenance contract on our current system couldn't be renewed because of its age and condition. GU's Brain and Language Laboratory for fNIRS Neuroimaging (BL2) is regarded as a premier site in the world for neuroimaging and behavioral studies of language, bilingualism, and reading. |
| | Registrar's Student Records Conversion | \$150,000 | To convert student records for years prior to 1999 from paper to digital format so they can be protected from inherent risks and for ease of retrieval. If these records are damaged, lost, or compromised, the University will not be able to fulfill its mandated responsibilities. |
| Administration & Finance | | | |
| Priority* | Request Name | Request Amount | Purpose |
| 1 | Gallaudet Technology Services | \$745,000 | For several IT initiatives: a) a robust off-campus or cloud-based backup and disaster recovery program. b) implementation of a centralized contact records management (CRM) system for undergraduate and graduate enrollment, the Clerc Center, and university marketing efforts. c) video storage repository for web use and for academic needs. d) Blackboard Analytics for Learn to help students gauge their performance in courses and instructors monitor student progress. e) centralized printing capability to print from mobile devices and from any "connected" university printers. |
| | 6th Street Development | \$225,000 | For the substantial ongoing costs of developing and managing Gallaudet's 6th Street property with the advice and guidance of outside consulting firms. This is a very promising investment of funds as the property is expected to lead to significant ground lease revenue for Gallaudet and opportunities for employment, internship, training and collaborations for our students in the long term. |
| Clerc Center | | | |
| Priority* | Request Name | Request Amount | Purpose |
| | Clerc Center Operations | \$224,964 | For increasing operating costs of food service, transportation, interpreting/translations, and IEP service providers who are currently on contract due to position cuts at the Clerc Center. The continued increase in costs can no longer be absorbed by the Clerc Center's budget, especially in light of annual cuts resulting from revenue decreases due to University enrollment. |

| Priority* | Request Name | Request Amount | Purpose |
|----------------------------------|-------------------------|----------------|---|
| 4 | Clerc Center Assessment | \$250,000 | To support the costs of entering into an agreement with Maryland per Education of the Deaf and No Child Left Behind Acts requirements. These include PARCC assessments of English, math and science knowledge and skills and the significantly increased federal reporting requirements under the recently enacted Every Student Succeeds Act. |
| Institutional Advancement | | | |
| Priority* | Request Name | Request Amount | Purpose |
| | Development | \$25,000 | Preparations are underway for a public kickoff of a comprehensive fundraising campaign. Funds are needed for three new one-time activities data analytics of the prospective donor pool by a prospect research firm, special marketing materials, and a Campaign Kickoff event. |
| Office of the President | | | |
| Priority* | Request Name | Request Amount | Purpose |
| | Ombuds Office | \$30,000 | To continue providing comprehensive conflict resolution services for Gallaudet University's 1200+ members. The services include conflict coaching, in-depth referrals, mediation and facilitation, customized trainings on conflict management and resolution, policy and procedure clarifications, upward feedback to influence systems change, and shuttle diplomacy. |

* The UPBC only ranked the top five division requests in terms of priorities for the FY 2017 budget.

APPENDIX D

Gallaudet University Strategic Plan

The Gallaudet Strategic Plan 2010-2015 (GSP) has been extended an additional year to allow the new administration the time to identify updated priorities and develop a plan of implementation. The current strategic plan re-affirms our core values in its mission statement, sets forth a bold new vision with clearly articulated guiding principles, and sets forth five critical goals for ensuring a university of excellence for future generations of students.

Guiding Principles

Gallaudet is committed to academic excellence, leadership, and remaining relevant in tomorrow's higher education landscape.

It is vital to the university's continued survival and relevance that enrollment grow to meet and/or exceed previously-funded levels:

1. To meet this enrollment goal, Gallaudet will accept all qualified students, including a diverse pool of students from varied educational backgrounds and communication modalities, and support them so they can realize the full academic and personal benefits of a Gallaudet education
2. Gallaudet will aggressively recruit and support students from traditionally-underrepresented groups (TUGs)

Gallaudet will adjust its own programs and support services as necessary to meet the needs of a changing student population – rather than expecting students to adapt to Gallaudet's construct of the ideal student/methodologies.

Gallaudet will engage and embrace the larger world beyond our walls through partnerships and outreach on all levels, encouraging our students, faculty and staff to be fully engaged participants in their local, national and global communities.

Gallaudet is committed to the development and success of the whole student.

Gallaudet will capitalize upon the advantages of its small size to ensure personal attention and care for each student, not only academically, but also in personal development and career exploration:

1. Every student will be offered a faculty or staff mentor/advocate to guide them to the completion of their educational experience.
2. Gallaudet will differentiate itself by a high level of student access and involvement with faculty/staff in their academic and non-academic experiences.

Gallaudet will make real the connection between a liberal arts education and professional career success, through relevant majors/programs that meet the demands of the employment market, challenging internships, and a robust career center focused on lifelong support for our students and graduates.

Gallaudet will foster an environment of respect for the full diversity of people and ideas, and be known as a community that practices zero tolerance for discriminatory and/or disrespectful behavior of any kind towards any one for any reason—including but not limited to gender, race, sexual orientation, ethnicity, religion, background, hearing status, or communication preferences.

Gallaudet is committed to managerial and fiscal accountability and delivering value to our stakeholders.

Until enrollment, retention and graduation targets are met, these areas, along with teaching and learning, will be the accountable strategic priorities for all administrators, faculty and staff.

Gallaudet takes seriously its role as a responsible steward of the funding provided by the federal government, our students, and other stakeholders, constantly creating the case for continued support through achievement of value-added outcomes.

University resources, including financial and human capital, will be examined annually and re-allocated as needed to support strategic priorities. All programs will face ongoing assessment of their cost/benefit to the university, and decisions about continuation, expansion or closure will be made annually as part of the budget process.

Goals and Strategies

Goal A: Grow Gallaudet's enrollment of full-time undergraduate students, full- and part-time graduate students, and continuing education students to 3,000 by 2015.

- Expand all undergraduate recruiting to become "top of mind" for all deaf and hard of hearing, and hearing students seeking deaf/HH-related careers.
- Expand all graduate recruitment to become top of mind for all deaf, hard of hearing, and hearing students seeking deaf or hard of hearing-related careers.
- Expand the ELI program by reaching out to all constituents that support ESL learning.
- The Center for Continuing Studies will increase enrollment of students in professional studies courses and programs.

Goal B: By 2015, increase Gallaudet's six-year undergraduate graduation rate to 50 percent

- Create environment and support systems to encourage retention and successful completion.
- Institutionalize clear Path to Graduation for all undergraduates.
- Increase acceptance of undergraduate students into majors.
- Increase and broaden accountability for student retention and graduation.

Goal C: By 2015, secure a sustainable resource base through expanded and diversified funding partnerships and increased efficiency of operations.

- Increase breadth and depth of local and federal government relations.
- Grow revenue from grants, auxiliary enterprises, and private fundraising.
- Increase student-related income through enrollment growth.
- Improve efficiency and effectiveness of all programs and services.

Goal 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.

- Optimize undergraduate majors and graduate programs to justify costs and outcomes.
- Develop five new comprehensive academic partnerships.
- Strengthen students’ preparation for employment and career success.
- Increase faculty accountability for student learning and development.

Goal 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.

- Establish Gallaudet’s research agenda and set targets for externally-funded research proposal submission, funding, and completion by 2015 and beyond.
- Create the infrastructure needed to support a world-class research enterprise.
- Enhance outreach integrating research and its evidence-based and ethical translation, particularly to benefit deaf and hard of hearing PK-12 students and visual learners across the lifespan.

APPENDIX E

Clerc Center Strategic Plan

Clerc Center Mission Statement

The Clerc Center, a federally funded national deaf education center, ensures that the diverse population of deaf and hard of hearing students (birth through age 21) in the nation are educated and empowered and have the linguistic competence to maximize their potential as productive and contributing members of society. This is accomplished through early access to and acquisition of language, excellence in teaching, family involvement, research, identification and implementation of best practices, collaboration, and information sharing among schools and programs across the nation.

Development of the Clerc Center Strategic Plan

The Clerc Center Strategic Plan 2020 (CCSP 2020) focuses on its national service and demonstration school activities for the upcoming five-year period.

The national service portion of the plan supports professionals and parents of students (birth through high school) who are deaf or hard of hearing in accordance with the Education of the Deaf Act (EDA), the Clerc Center's guiding federal legislation. The national service goal focuses on three priority areas identified during the Clerc Center's National Priority Setting Meeting which took place in February of 2013 on the Gallaudet University campus in Washington, D.C.

A diverse group of 23 professionals and parents from across the country participated in the two-day co-laboratory for democracy. (For more information on the co-laboratory for democracy, please see the work of Dr. Alexander "Aleco" Christakis at www.globalagoras.org/publications/co-laboratories-of-democracy/.) During this process participants discussed challenges that, if addressed by the Clerc Center, would have a positive impact on the success of current and future generations of children who are deaf or hard of hearing. From this meeting, three priority areas emerged: professional development, family-school/agency partnerships, and collaboration. These areas serve as the foundation for the national service section of the strategic plan.

The process to focus each priority area, develop the objectives, and select the strategies that the Clerc Center will undertake over the next five years was based on input and information from a number of national sources. These included dialogue during the National Priority Setting Meeting; collection and analysis of public input from 2010-2012, a summary of which can be found at www.gallaudet.edu/clerc_center/public_input_summary_published.html; evaluation feedback on select trainings and products; and current research, practices, and resources in the priority areas. The strategies were carefully selected based on their potential impact on each priority area as well as on the Clerc Center's ability to complete them with the limited human and fiscal resources available. The completed strategic plan was carefully reviewed to ensure alignment among the Clerc Center mission, the national service goal and related objectives, the strategies, and compliance with the EDA.

The EDA mandates the Clerc Center to:

- provide technical assistance and outreach throughout the nation to meet the training and information needs of parents of infants and children who are deaf or hard of hearing;
- provide technical assistance and training to personnel for use in teaching students who are deaf or hard of hearing in various educational environments who have a broad spectrum of needs; and
- establish and publish priorities for research, development, and demonstration through a process that allows for public input.

To the extent possible, the Clerc Center must provide the services required in an equitable manner based on the national distribution of students who are deaf or hard of hearing in educational environments, including regular classes; resource rooms; separate classes; separate, public, or private nonresidential schools; separate, public, or private residential schools; and homebound or hospital environments.

Along with its national service responsibilities, the Clerc Center supports two demonstration schools: Kendall Demonstration Elementary School (KDES) and the Model Secondary School for the Deaf (MSSD). These schools have joint accreditation by the Middle States Association (MSA) and the Conference of Educational Administrators of Schools and Programs for the Deaf (CEASD). In 2010, as part of the process to commence the reaccreditation cycle, the schools began an 18-month self-study process. Excellence by Design (EBD), a strategic planning accreditation protocol, was chosen for its focus on student achievement as well as for the organizational capacity to support that achievement. Through the EBD process, the schools identified two student achievement and one organizational capacity goal with related objectives and measurable annual targets. Action plans were developed for each goal area, and work on the strategies in those plans began in 2012.

In 2014, the school leadership team began a mid-cycle review of efforts to date in all goal areas. They reviewed the data, identifying strategies, progress made, and resources in the context of changes that have occurred within the schools and the Clerc Center since the action plans were established. The intent of the mid-cycle review was to focus efforts on those strategies believed to have the greatest potential impact on achieving the goals within the time and resources available. The EBD goals, objectives, and revised strategies were then incorporated into the CCSP 2020, creating a single institutional strategic plan that reflects both national service and demonstration school priority work.

National Service Goal

The Clerc Center supports professionals and families through the dissemination of resources, training, and evidence-based information in the areas of professional development, family-school partnerships, and national collaborations to meet the linguistic, educational, and social-emotional needs of children (birth through high school) who are deaf or hard of hearing.

A. Professional Development

The Clerc Center will support the needs of professionals by addressing gaps in their knowledge and facilitating the growth of necessary skills to meet the linguistic, academic, and social-emotional development and achievement of children (birth through high school) who are deaf or hard of hearing.

| Objective 1 | Objective 2 | Objective 3 |
|--|--|---|
| Increase the understanding and awareness of teachers and professionals with limited knowledge or experience in teaching and/or working with children who are deaf or hard of hearing about how to foster student success and enrich their educational experiences through current teaching and professional practices. | Increase knowledge and strengthen effective teaching and professional practices of educators and other professionals who are knowledgeable and experienced in working with children who are deaf or hard of hearing. | Adopt a comprehensive plan for improving the awareness of professionals with limited knowledge or experience in working with children who are deaf or hard of hearing as well as parents of those children across the United States about the resources, support, and activities of the Clerc Center. |

B. Family-School/Agency Partnerships

The Clerc Center will promote the development of knowledge necessary for effective partnerships between families and professionals with schools or service agencies to effectively meet the linguistic, educational, and social-emotional needs of children (birth through high school) who are deaf or hard of hearing.

| Objective 1 | Objective 2 |
|---|---|
| Disseminate resources and information to parents and caregivers to increase their knowledge to effectively advocate for the needs of their children who are deaf or hard of hearing when interacting with school or agency professionals. | Disseminate resources and information to increase the awareness and understanding of school personnel and administrators with limited prior knowledge of or experience with children who are deaf or hard of hearing about how to foster home-school/agency partnerships that value the parent and caregiver advocate role. |

C. Collaboration

The Clerc Center will facilitate the recognition that productive collaborations among organizations at the national level are essential in meeting the linguistic, educational, and social-emotional needs of children (birth through high school) who are deaf or hard of hearing.

| Objective 1 (Years One and Two) |
|---|
| Increase the internal capacity of the Clerc Center professionals to identify and carry out activities that will promote meaningful dialogues to identify areas for potential partnerships among agencies at the national level that will foster/enhance the educational experiences of all children who are deaf or hard of hearing and their families. |

Demonstration Schools Goal

Implement teaching and learning practices and promote a school climate that maximizes the academic potential of students who are deaf or hard of hearing in preparation for graduation and transition to postsecondary education and/or the workplace.

| Reading and Writing | |
|---|--|
| KDES | MSSD |
| Objective 1 | |
| By 2018, KDES students will improve their reading skills as measured by increasing the percentage of students who attain performance levels of “Meets Standards” or “Exceeds Standards” on the Ohio Achievement Assessments (OAA) reading subtest. The 2010 baseline was 11 percent (N=38) for grades three through eight. The seven-year target is 75 percent. | By 2018, MSSD students will improve their reading skills as measured by increasing the percentage of students who attain performance levels of “Meets Standards” or “Exceeds Standards” on the Ohio Graduation Tests (OGT) reading subtest. The 2010 baseline was <10 percent (N=80) for grades 11 and 12. The seven-year target is 75 percent. |
| Objective 2 | |
| By 2018, KDES students will improve their reading skills as measured by increasing the percentage of kindergarten through grade five students whose independent reading level is at grade level or above on the Developmental Reading Assessment 2 (DRA2). The 2011 baseline is 17 percent of students (N=42). The seven-year target is 75 percent. | By 2018, MSSD students will demonstrate improved use of higher order thinking skills in reading as measured by increasing the percentage of grade 11 and 12 students who earn at least half of the available points on constructed response items on the OGT reading subtest. The 2010 baseline is <10 percent of students (N=80). The seven-year target is that 60 percent of students will earn at least half of the available points. |
| Objective 3 | |
| By 2018, KDES students will improve their writing skills as measured by increasing the percentage of students who attain a score of 3 or above on the holistic scale of 1 to 5 on the Writing Assessment. The 2011 baseline was <10 percent for grades three through eight (N=40). The seven-year target is 70 percent. | By 2018, MSSD students will improve their writing skills as measured by increasing the percentage of students who attain a score of 3 or above on the holistic scale of 1 to 5 on the Writing Assessment. The 2011 baseline was 34 percent for grades nine through 12 (N=137). The seven-year target is 80 percent. |

| Math | |
|--|---|
| KDES | MSSD |
| Objective 1 | |
| By 2018, KDES students will improve their mathematics skills as measured by increasing the percentage of students who attain performance levels of “Meets Standards” or “Exceeds Standards” on the OAA mathematics subtest. The 2010 baseline was <10 percent (N=40) for grades three through eight. The seven-year target is 75 percent. | By 2018, MSSD students will improve their mathematics skills as measured by increasing the percentage of students who attain performance levels of “Meets Standards” or “Exceeds Standards” on the OGT mathematics subtest. The 2010 baseline was 14 percent (N=80) for grades 11 and 12. The seven-year target is 75 percent. |
| Objective 2 | |
| By 2018, KDES students will improve their mathematics skills as measured by increasing the percentage of students who attain performance levels of “Meets Standards” or “Exceeds Standards” on the OAA number, number sense, and operations standard. The 2010 baseline was 13 percent (N=40) for grades three through eight. The seven-year target is 75 percent. | By 2018, MSSD students will improve their mathematics skills as measured by increasing the percentage of students who attain a score of 14 or above on the mathematics subtest of the ACT (Gallaudet’s freshman admissions criterion). The 2010 baseline was 68 percent (N=47) for grade 11. The seven-year target is 90 percent. |
| School Climate | |
| Objective 1: Professional Engagement | |
| By 2018, Clerc Center school personnel will express positive feelings about school morale and involvement in decision making as measured by increasing the percentage of responses in the positive range on the Leadership and Professional Relationships dimensions of the Comprehensive School Climate Inventory (CSCI) to at least 85 percent on each dimension. | |
| Objective 2: School Safety | |
| By 2018, MSSD students will express positive perceptions about school safety as measured by increasing the percentage of responses in the positive range on the Rules and Norms and Sense of Physical Security dimensions of the CSCI to at least 85 percent on each dimension and on the Sense of Social-Emotional Security dimension to at least 75 percent. | |
| Objective 3: School Environment | |
| By 2018, the Clerc Center community will perceive the school environment as welcoming and physically appealing as measured by obtaining at least 75 percent of responses in the positive range from all stakeholder groups (i.e., students, parents, school personnel) on both the School Connectedness/Engagement and Physical Surroundings dimensions of the CSCI. | |

