

1 **Frequently Asked Questions Regarding Personnel and Other Reductions**
2 **Gallaudet University**
3 **March 10, 2010**
4

5 How many positions are being eliminated now?

6 We are eliminating 40 positions, which is approximately four percent of our workforce.

7 Why are the reductions needed?

8 The data available to the President and the Cabinet indicated that in the absence of action now,
9 we would be facing a deficit for this year (fiscal year 2010, from October 1, 2009 to September
10 30, 2010) of \$2,000,000. A decision was reached by the President and the Cabinet to act to
11 eliminate the anticipated deficit.

12 We learned that we finished last year (fiscal year 2009) with an extremely small surplus of funds.
13 The amount of that surplus was \$477,000 out of a total budget of \$170,000,000. In percentage
14 terms, the surplus was 0.28 percent. For an organization of our size this is a very small surplus,
15 as indicated by the percentage amount.

16 The Board of Trustees also demands that we operate in a fiscally responsible manner; deficit
17 spending is not acceptable to the Board. The Board insists we operate within our available
18 funds.

19 What factors have an impact on the amount of funds we have available this year?

20 Our funds come from many sources. The primary source is our Federal allocation. Last year
21 (fiscal year 2009), our allocation was \$118,000,000 for operations. (Construction funds are
22 allocated separately and must be used only for construction-related costs of specific projects.)
23 For this year, we again received \$118,000,000 for operations. The 'level' funding for two years in
24 a row was significantly different from past history when, year after year, we received regular,
25 healthy increases from Congress.

26 Our tuition, also a source of significant funds, was not increased this year and will not increase
27 next year. By not raising tuition we are placing our students and their families first by thinking
28 about the economy and the financial condition of our students and their families. In addition
29 this decision can have a positive impact on enrollment, a top priority of the Gallaudet Strategic
30 Plan. This decision however, also means we must operate with fewer funds.

31 What is the outlook for funds in future years?

32 For a decade Presidents of the United States have indicated that they wanted level funding for
33 Gallaudet University, while year after year Congress has always provided us with an increase.
34 However, that situation was significantly different this year. The President again proposed level
35 funding, but this time Congress agreed with the President and we received level funding.

36 For next year (fiscal year 2011), the United States President has again proposed that we receive
37 level funding. Given the mood of the country we are expecting Congress to provide us with level
38 funding yet again.

39 Looking beyond next year, we learned from President Obama during his State of the Union
40 address that he will seek to freeze discretionary Federal spending, a category including
41 Gallaudet University, for the next three years.

42 This was reinforced in discussion with the U.S. Department of Education in which we learned
43 that we should not anticipate Federal funding increases in coming years.

44 We need to be prepared for level Federal funding – or worse – for several years to come.

45 **Doesn't level funding mean we can continue to operate as we do now?**

46 Perhaps on the surface it seems that level funding should allow us to maintain ourselves;
47 however, in reality level funding is not sufficient to accommodate increases in expenses from
48 year to year.

49 **Why don't we take money from the endowment to balance the budget?**

50 It is currently University policy to spend five percent of the market value of the endowment on
51 an annual basis to support scholarships and University operations. With the decrease in the
52 value of the endowment because of the downturn in the markets, the amount we draw has also
53 decreased, worsening our available funds. Taking larger amounts from endowment is not a
54 solution to our short-term or long-term financial situation. We should be operating within our
55 funds available on a year-to-year basis.

56 **How will the \$2,000,000 deficit be eliminated?**

57 The reductions will occur through personnel reductions and reductions in other expenses. We
58 spend approximately 75% on personnel and 25% on other expenditures. We will allocate the
59 \$2,000,000 reductions in a similar manner, with a personnel reduction of \$1,500,000 and non-
60 personnel reduction of \$500,000.

61 **We had approximately 40 open positions. Why don't we freeze those and save
62 money that way?**

63 Those positions have been frozen as indicated in the President's previous email, and the
64 President will have to approve personally the hiring into any of those positions or the opening of
65 any future positions. There has been no savings from freezing those positions since they were
66 not funded, and therefore their elimination does not affect the calculation of the anticipated
67 deficit. However, not filling them does keep our situation from worsening.

68 **What criteria were used to select positions for elimination?**

69 The positions selected for elimination were those identified as being least essential to the
70 University's mission at this time.

71 The President directed that job performance should not be a factor in selecting the positions for
72 elimination.

73 A position-by-position review was conducted, with a detailed review at several levels, including
74 a review by Human Resources, Equal Opportunity Programs, and by our legal advisors. Existing
75 policies were followed. Yes, we wanted to protect the University; but we also wanted to ensure
76 we were acting responsibly in regard to employees.

77 **How were the reductions allocated across divisions?**

78 They were allocated in proportion to the number of employees in each division.

79 **I'm concerned about those who will be leaving; will the University help those who
80 are terminated?**

81 Yes, the University has a severance pay package.

82 **Will the workload of those who are leaving be reallocated to those who stay?**

83 In the short-term we will make reallocation to meet immediate needs. In the long-term we will
84 examine the need for functions and as needed, reallocate or find other methods of having the
85 needed work performed.

86 **Will there be additional cuts, and if yes, when?**

87 We don't know. A variety of factors, many beyond our control, affect the amount of funds we
88 have available; in that regard we will work aggressively to obtain the maximum amount of
89 funds. But a balanced budget over time will require that we also exercise restraint on
90 controllable expenditures, which we will do as needed.

91 **What about furloughs?**

92 Furloughs provide short-term relief. Furloughs are still an option at any time if our financial
93 situation worsens, but they are not a solution to current problem.

94 **What or who is responsible for the situation we face?**

95 We take little consolation from the fact that our situation is common in higher education today
96 or that we all have personal stories of family members or friends in similar situations elsewhere.

97 There is not one cause for the situation we face. The revenues we receive from many different
98 sources are down, and the expenditures in many categories are up, leaving us out of balance
99 and at greater financial risk in the future. While each of us might take comfort in assigning
100 responsibility/blame in one area, there is more than one cause for our current situation.

101 This is a time for understanding. As the President said in his recent email: "Please be aware that
102 I realize the actions I take will touch lives, and I ask for your understanding that in the midst of
103 discussions of dollars and headcounts I have not and will not lose sight of the fact that we are
104 discussing the futures of employees who have been serving our students and the University."