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Understanding the University Budget

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Agenda

- \$ The Washington State Budget & Higher Education Sector
- \$ Budget Models
- \$ The WSU Budget
- \$ The WSU Budget Office
- \$ WSU Budget Policies
- \$ Financial Recovery

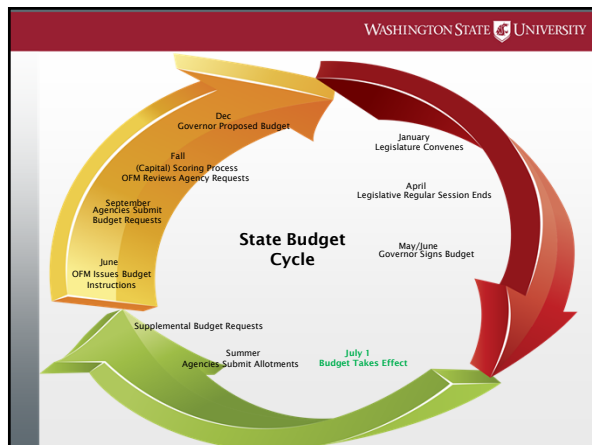
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Washington State Budget & Higher Education Sector

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State Budget Cycle

- Washington enacts budgets on a two-year cycle
 - Biennial budgets are adopted in odd-numbered years
- By law, the Governor must propose a biennial budget before Legislature convenes in January
 - 2012 law requires a balanced operating fund budget
- Biennial budget can be modified in any legislative session
 - Supplemental Budgets



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The Higher Education Sector

- Comprised of:
 - 2 Research Universities
 - 4 Regional Universities
 - State Board of Community and Technical Colleges (34 total colleges)
 - Washington Student Achievement Council – (financial aid / student success advocacy)
- Discretionary funding – from the state level
 - K-12, human services, pension obligations and debt service comprise between 2/3 – 3/4 of the state budget
 - Higher education is a sector that is considered for funding after these 'mandatory' obligations are met.

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Budget Models

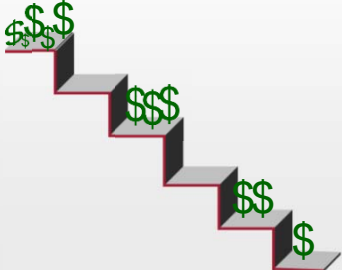
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Two classic models in higher education:
**Incremental Budget v.
Responsibility Centered Budget**



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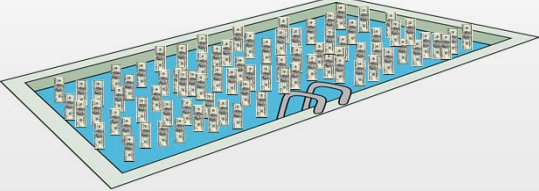
Incremental Budget employs an allocation process where units' legacy funding levels increase incrementally based on overall changes in institutional resources.



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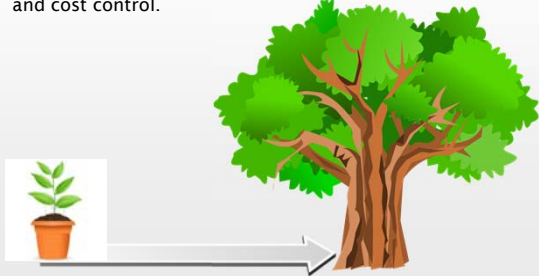
Example of Incremental Budgeting: PBL – Planning Budget Level

Units have base levels of funding, which is backed by a pool of tuition plus state appropriations. When new state funding is provided, such as for mass salary increases, each unit receives a proportional increase in PBL.



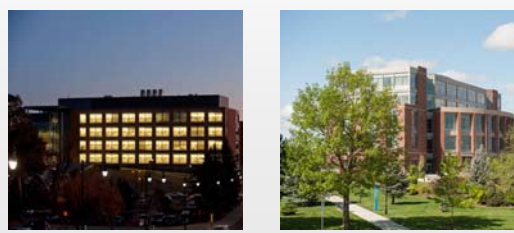
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Responsibility Centered (RCM) Budget allocates resources such as tuition to the units that generate them, which is intended to incentivize revenue growth and cost control.




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WSU's Enrollment Based Budget (EBB) Model for undergraduate enrollment on the Pullman and Spokane campuses is an example of an RCM element of the budget. Under this model new undergraduate tuition is allocated to the colleges that generate it through new enrollment.



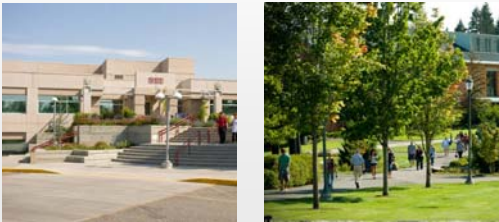
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Another key element of an RCM budget is that revenue generating units are responsible, typically through a tax, for paying the costs of institutional overhead and funding a subvention fund that is used to subsidize units that may not generate enough revenue to operate at a profit, but are vital to the mission of the institution.



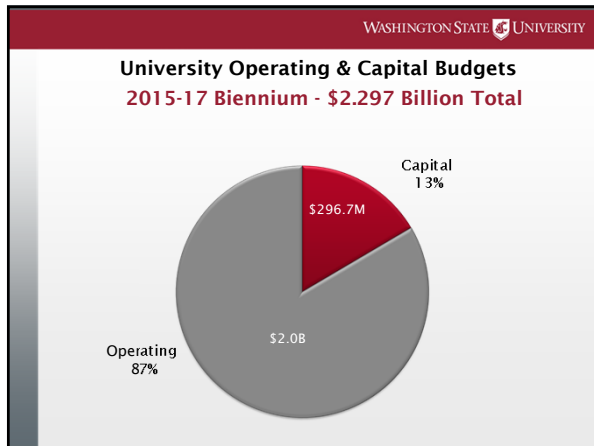
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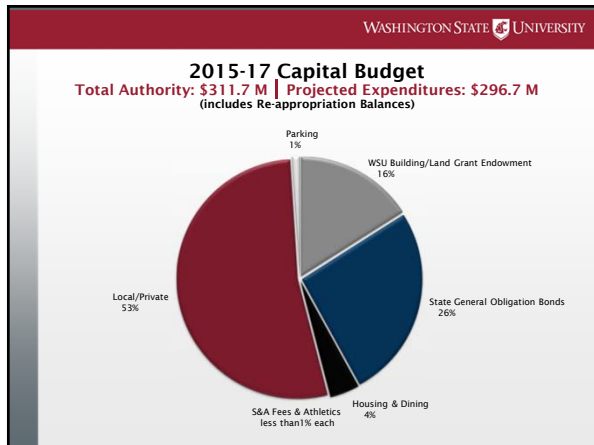
WSU uses this type of overhead assessment with our campuses in Vancouver and Tri-Cities. Both those campuses receive the tuition they generate less an 11% assessment for institutional support.

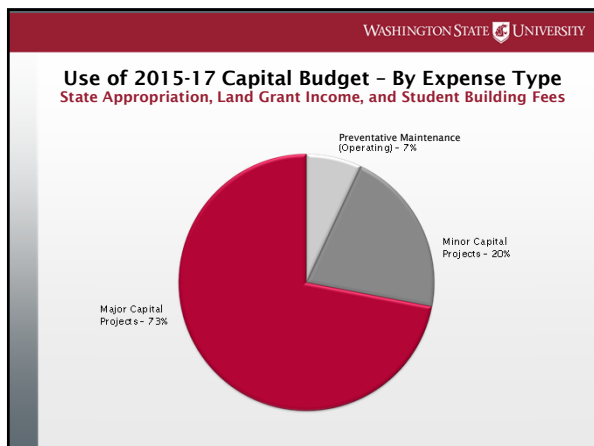


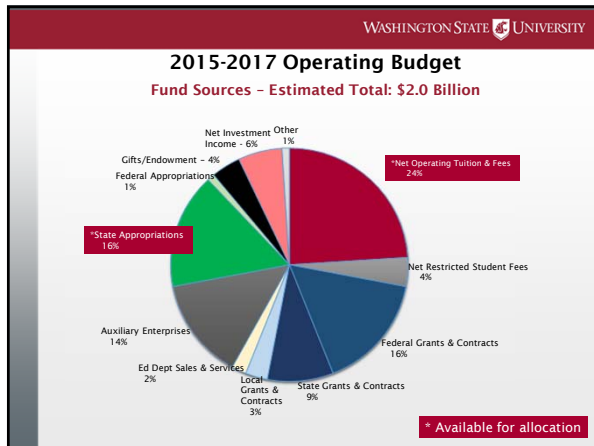
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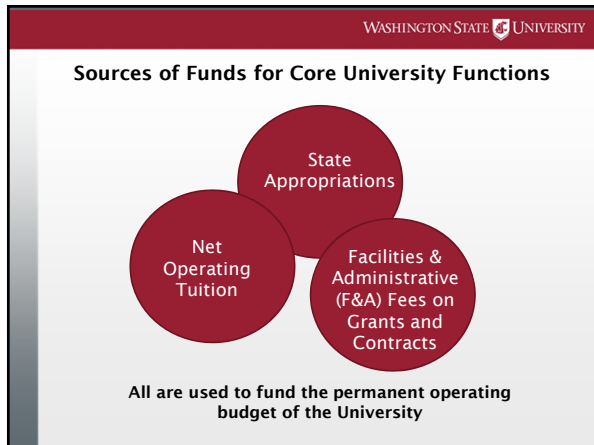
The WSU Budget

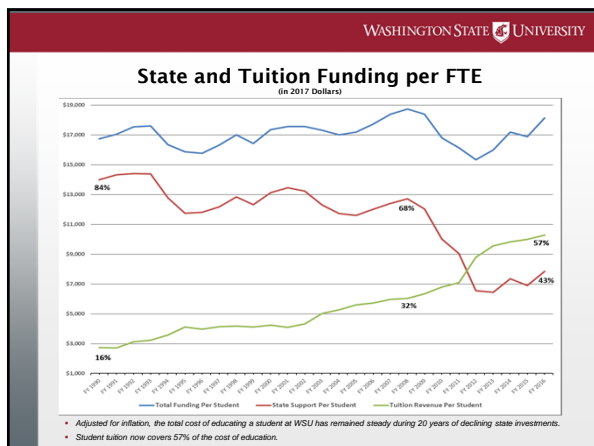












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Tuition Policy: Components of Tuition

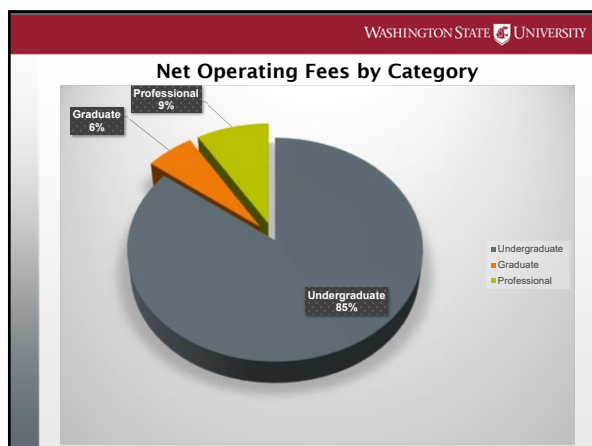
WSU Pullman Tuition Rates for 2018-19

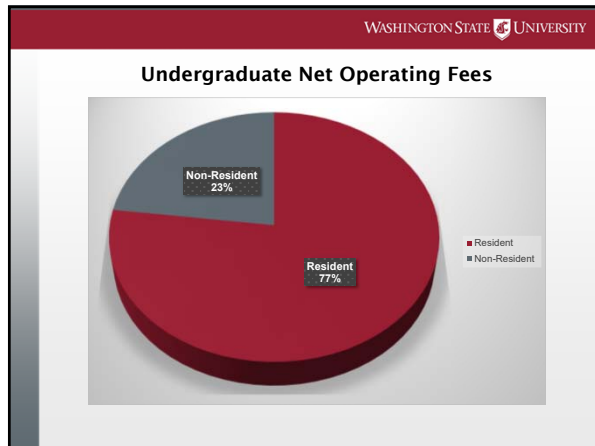
Semester Amounts	2018-19		
	Building	Operating	Tuition Bldg+Oper
RESIDENT - Undergraduate	280.00	4,580.00	4,860.00
RESIDENT - Graduate	167.00	5,445.00	5,612.00
NON-RESIDENT - Undergraduate	537.00	11,441.00	11,978.00
NON-RESIDENT - Graduate	431.00	11,897.00	12,328.00

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Tuition Policy: Net Operating Fees

Gross Operating Fees
 <Less: Operating Fee Waivers>
 <Less: 4% Aid Fund>
 = Net Tuition (Operating Fee) Revenue





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Tuition Policy-Post Recession

2013-15 Biennium

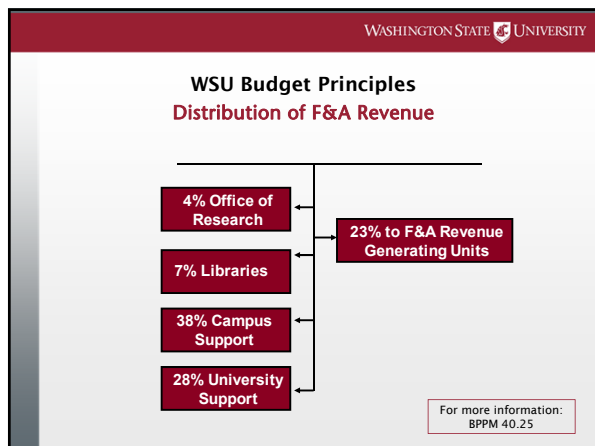
- No increase in resident UG tuition per legislative mandate, WSU held all rates flat.

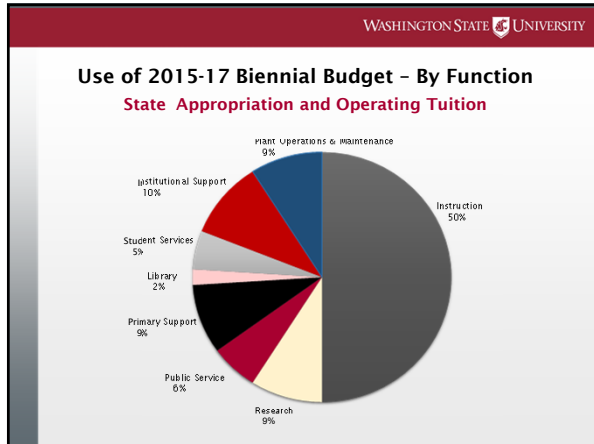
2015-17 Biennium

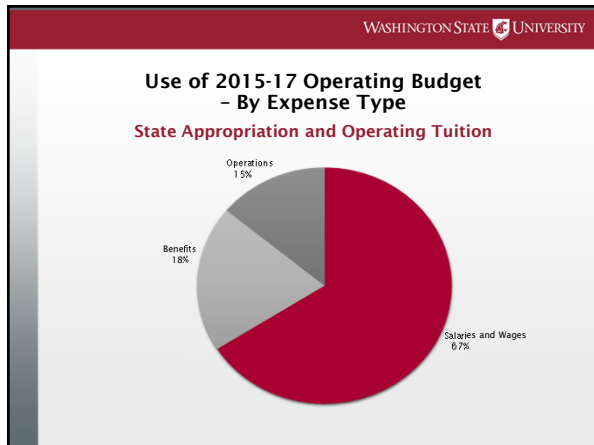
- Resident undergraduate tuition (operating fee portion) reduced by 5% for academic year 2015-16 and by an additional 10% in academic year 2016-17, per legislative mandate. Backfill state funding was provided.
- Although authorized to increase tuition by any amount for all other student categories, WSU opted for no tuition increase in academic year 2015-16, or 2016-17.

2017-19 Biennium

- Current law allows inflationary increases in resident UG tuition for FY18 and FY19.







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The WSU Budget Office

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What Does the Budget Office Do?

1. State Budget - Requests, Allocations, and Reporting
2. Allotments
3. Compensation Impact Model
4. Internal Budget Processes (review, hearings, summit)
5. Revenue Tracking (F&A, 17A, AFI)
6. Tuition Modeling (census day)
7. Central Benefit Pool Tracking / Analysis
8. Expenditure Monitoring
9. Area Carryforward Projections
10. Benefit Model
11. Accrual Analysis
12. Tuition Schedules
13. MSI, if applicable
14. Ad hoc Decision Support
15. University Workgroups & Committees
16. System Maintenance (HEPPS; MSI; DEPPS; AIS; BPS)

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WSU Budget Policies

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Allocation of Resources

- General funding is tracked by campus
- Budget allocations are provided by the Budget Office to areas/campuses
- Areas/campuses determine distribution of funding to their departments

Pooled Benefits

- WSU utilizes a central benefit pool to allocate resources to cover benefit related costs for particular fund types (001-XX, 143-XX, 148-02, 148-05, 148-06)
- Automatic budget allocations are made to area departmental operating accounts where actual benefit expenses are incurred each payroll expense cycle

Accruals (Salary Savings)

- Central pool provides for turnover costs (sick and annual leave payouts), and PIDs
- Areas retain savings from vacant faculty and graduate student positions on WSU program 05 (*libraries*) and 06 (*instruction*)
- Areas retain savings from the transfer of expenditures to grants (programs 11A-14Y) regardless of employee type
- Central captures savings from vacant classified, administrative professional, and non-instructional faculty positions for the first four months. Subsequent accruals are returned to areas upon request

* WSU Vancouver, WSU Tri-Cities, Extension, and Ag Research manage their own accruals.

Carryforward

Most funds carry forward at the area level. Dean, vice president or chancellor decides if they carry forward at the department level.

- Operating budgets
- F&A accounts
- Donated funds

Some funds do not carry forward

- Equipment replacement allocations
- Special allocations for specific purposes, such as proviso funds

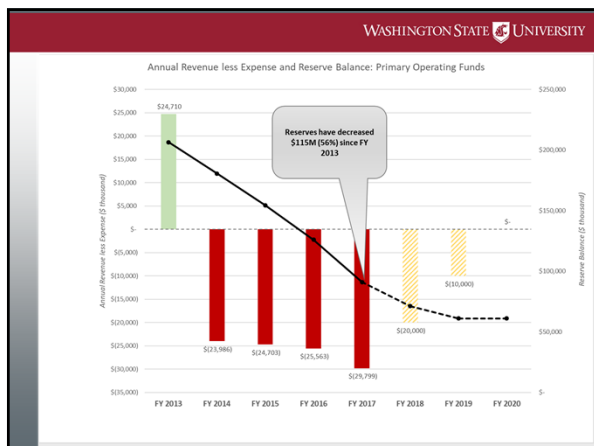
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Financial Recovery

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Budget was one of the first topics President-elect Schulz addressed his in message to campus in May 2016 ...

- "We have been spending more money annually than has been brought in, which is not sustainable"
- "We are spending down reserves"



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Fiscal Year 2018

- First year of a three year recovery plan

- We have overspent the University budget for the previous 4 years by about \$25-\$30 million each year. This overspending has decreased the University's reserves to slightly less than \$100 million.

- \$25 - \$30 million is 2.5%-3.0% of the annual \$1 billion operating budget

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Recovery Plan Specifics

- Three-year recovery plan calls for \$10 million improvement over three consecutive years

- Areas have specific improvement targets to be met through expenditure reductions or revenue enhancement or both

- Areas retain savings (not a budget cut)

- Monthly reporting, using a common template

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Other Budget / Fiscal Initiatives

- Regular updates to campus community

- President's Perspectives columns

- Fiscal Health Web Page

- University Fiscal Health Advisory Committee

