Department Chair and Directors Workshop
December 6, 2018

Recording date of this workshop is December 6th, 2018
Some of the rules and procedures discussed in this workshop are subject to change.
Please check university resources before relying exclusively on this recorded presentation.

AGENDA
• Understanding the University budget
• Managing Your Unit Budget
• Modernization
Washington State Budget

- Washington enacts budgets on a two-year cycle
  - Operating Budget
  - Capital Budget
  - Transportation Budget

- Higher Education receives discretionary funding from the State
  - Funded after K-12, HHS, pension obligations, debt service

- By law the Governor must propose a biennial budget (balanced) before the Legislature convenes in January.

University Operating & Capital Budgets

2015-17 Biennium - $2.297 Billion Total

- Operating: 97%
- Capital: 3%

2015-17 Capital Budget

- Total Authority: $311.7 M
- Projected Expenditures: $296.7 M

- Includes re-appropriation balances

- S&A Fees & Athletics: less than 1%
- Housing & Dining: 4%
- Local/Other: 53%
- State General Obligation Bonds: 26%
- NDS Building/Land Grant Endowment: 19%
- Parking: 1%
Use of 2015-17 Capital Budget – By Expense Type
State Appropriation, Land Grant Income, and Student Building Fees

- Minor Capital Projects – 20%
- Preventive Maintenance (Operating) – 7%
- Major Capital Projects – 73%

2015-2017 Operating Budget
Fund Sources – Estimated Total: $2.0 Billion

- Net Operating Tuition & Fees 24%
- Net Restricted Student Fees 4%
- Federal Grants & Contracts 16%
- State Grants & Contracts 9%
- Local Grants & Contracts 3%
- Ed Dept Sales & Services 2%
- Auxiliary Enterprises 14%
- State Appropriations 16%
- Other 2%
- Available for allocation

Use of 2015-17 Biennial Budget – By Function
State Appropriation and Operating Tuition

- Instruction 50%
- Research 9%
- Plant Operations & Maintenance 5%
- Student Services 5%
- Public Service 4%
- Primary Support 8%
- Auxiliary Enterprises 14%
- Library Services 5%
- Military Support 5%
- Other 3%
- Available for allocation
Use of 2015-17 Operating Budget – By Expense Type

State Appropriation and Operating Tuition

- Salaries and Wages: 67%
- Benefits: 18%
- Operations: 15%

Budget Models

- How institutions allocate resources
- Two classic models
  - Incremental Budget
  - Responsibility Centered
- WSU has elements of both
  - PBL
  - Tri-Cities / Vancouver Tuition
  - EBB

WSU Budget Principles

- 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
WSU Budget Principles

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

WSU Budget Principles

Distribution of F&A Revenue

23% to F&A Revenue - Generating Units

4% Office of Research
7% Libraries
38% Campus Support
28% University Support

For more information: BPPM 40.25

WSU Budget Principles

Distribution of Generating Units F&A

23% of F&A revenue is distributed to revenue-generating units

Distributions are made in one of three ways:

<table>
<thead>
<tr>
<th>Distribution Type</th>
<th>Department</th>
<th>Dean</th>
<th>Academic Dean</th>
<th>Chancellor</th>
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<tbody>
<tr>
<td>Pullman Contracts</td>
<td>15%</td>
<td>5%</td>
<td>11.5%</td>
<td>11.5%</td>
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<tr>
<td>Urban Campus Contracts with Academic Unit Affiliation</td>
<td>11.5%</td>
<td>Chancellor: 23%</td>
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<tr>
<td>Urban Campus Contracts without Academic Unit Affiliation</td>
<td>Chancellor: 23%</td>
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</tbody>
</table>
### WSU Budget Principles

#### Accruals (Salary Savings) Policy

- 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

#### Carry Forward Policy

**What happens to funds at fiscal year end?**

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

### QUESTIONS?
Managing Your Unit’s Budget

Don Holbrook
Executive Director, Office of the Provost

Overview

• Fund Types
• Budget Statement
• Planning and Managing Accounts
• Helpful Hints
• Sample Reports

University Accounting

• The source of funds determines the rules for deposits and expenditures.
  - State Appropriations
  - Self-Sustaining funds
  - Grant Funds
  - Donated Funds
Fund Types

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Description</th>
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<tbody>
<tr>
<td>001 - State Funds</td>
<td>Can be PBL or Non-PBL Funds. Funds and Resources which are necessary for the completion of official University Duties</td>
</tr>
<tr>
<td>148 - Local Dedicated Funds</td>
<td>Service Centers, University Community, Extension Services, F&amp;A accounts</td>
</tr>
<tr>
<td>570 - Other Enterprise Accounts</td>
<td>Course Fees &amp; Administration Fees, Service Centers, External Clients</td>
</tr>
<tr>
<td>846 - Advancement &amp; Scholarship Funds</td>
<td>MSM Accounts, Advancement Director's Scholarship &amp; Dean's Discretionary</td>
</tr>
<tr>
<td>145 - Grants &amp; Contracts</td>
<td>Restricted based on the approved/awarded grant budget</td>
</tr>
</tbody>
</table>

State Funds - PBL

- Planning Budget Level or Planning Base Line (PBL)
- PBL applies mainly to your state funded accounts
- Departments normally receive the same PBL allocation each year.
  - A Mass Salary Increase (MSI) will increase your PBL
  - A Budget Cut will decrease your PBL
- Not all funds going into your state accounts are PBL. State funds also come in the form of temporary allocations which can be one-time allocations that may not reoccur.

Preparing the Department Budget

Factors essential to planning the departmental budget (not necessarily listed in priority order) are:

- The budget from the prior year (PBL and or One-Time Allocations).
- Enrollment trends in program areas – Enrollment Based Budget).
- Adjustments in program offerings.
- Requests for new line positions.
- Requests for any additional office staff positions.
- Program replacements or coverage for faculty on grants or sabbaticals.
- Number of graduate teaching assistants (GTAs) and fixed-term or part-time faculty.
Budget Statement

- 3 Main Areas of Your Unit's Budget
  - Object 00 - Salaries
    - Faculty, Staff, Grad Assistants
  - Objects 01, 02, 03, 04, 06, 16 - Operating Expenses
    - Wages, Goods & Services, Travel, Equipment etc.
  - Object 07 - Benefits*

Budget Statement Layout

- Expense Summary by Object
- Expense Summary by Object/Subobject
- Expense Detail by Object/Subobject
- Revenue by Source Subsource
- Revenue Detail

Sample Budget Statements – Expense Summary by Object
Sample Budget Statements – Expense by Object Sub-object

Sub-object Codes
Sub-object Titles

Sample Budget Statement Expense Detail

Helpful Tips

• WSU’s Fiscal year runs from July 1 to June 30
• The fiscal year is identified in the year that it ends (7/1/2018 – 6/30/2019 = fiscal year 2019)
• Past or current budgets may be good indicators of overall service and supply needs in the department.
• Monitor your budgets and ensure that expenses don’t exceed revenues/allocations.
• Keep the dean’s or VP’s office aware of your department’s budget position. Although they may not always be able to help, it is important to keep up an institutional awareness by constantly communicating your department’s needs and cost pressures.
Sample Reports

- Monthly PBL Reconciliation
- Monthly Area Reserve Cash Reconciliation
- Area Reserve - 5 year projections
- Commitment Tracking (w/ scanned documentation)
- Budget Available vs Budget Awarded
Commitment Tracking

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<tr>
<th>Unit</th>
<th>Area</th>
<th>Area Name</th>
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<th>FY17</th>
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BUDGET/SPEND

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Budget Summary

- Total Budget: $1,234,567
- Area A Budget: $123,456
- Area B Budget: $234,567
- Area C Budget: $345,678
- Area D Budget: $456,789
- Area E Budget: $567,890
- Area F Budget: $678,901
- Area G Budget: $789,012
- Area H Budget: $890,123
- Area I Budget: $901,234
- Area J Budget: $1,012,345
- Area K Budget: $2,345,678
- Area L Budget: $3,456,789
- Area M Budget: $4,567,890
- Area N Budget: $5,678,901
- Area O Budget: $6,789,012
- Area P Budget: $7,890,123
- Area Q Budget: $8,901,234
- Area R Budget: $9,012,345
- Area S Budget: $10,123,456
- Area T Budget: $11,234,567
- Area U Budget: $12,345,678
- Area V Budget: $13,456,789
- Area W Budget: $14,567,890
- Area X Budget: $15,678,901
- Area Y Budget: $16,789,012
- Area Z Budget: $17,890,123

Net Income from NSP: $100,000

Miscellaneous Commitments: $(60,000)

Prior Year Balance Forward: $899,322

Actual Cash Balance - Area Reserve: $588,184

Total Cash Out - Area Reserve: $(1,935,691)

Ending PBL Balance (Area Reserve): $8,299

Less PBL Salaries: $(5,121,498)

Enrollment Management: $(457,545)

Registrar: $(248,569)

Admissions: $(829,416)

Academic Assessment: $(81,157)

Information Technology: $(64,000)

PBL Adjustments for the Year: $(55,425)

Less Commitments Projected to Post in FY17: $(9,049)

Actual & to Date Projected Projected Projected Projected Projected

2017 2018 2019 2020 2021 2022

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<th>Budget Planning</th>
<th>% of Total</th>
<th>Staff</th>
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<th>Area Revenue</th>
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<th>Enrollment Information Technology</th>
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<td>Salaries - PBL</td>
<td>56%</td>
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<td>495,096</td>
<td>98%</td>
<td>1,071,978</td>
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<td>Operations</td>
<td>17%</td>
<td>1,585,152</td>
<td>14,947</td>
<td>6%</td>
<td>33,425</td>
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<td>Revenue generated</td>
<td>28%</td>
<td>2,624,358</td>
<td>0%</td>
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<td>-143,000</td>
<td>16%</td>
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<td>Total Incoming</td>
<td>100%</td>
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<td>Salaries expense</td>
<td>54%</td>
<td>(5,369,394)</td>
<td>(202,256)</td>
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<td>(461,292)</td>
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<td>Benefits</td>
<td>2%</td>
<td>(201,281)</td>
<td>0%</td>
<td></td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Sub total</td>
<td>64%</td>
<td>(6,294,337)</td>
<td>(202,256)</td>
<td>95%</td>
<td>(1,169,978)</td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>17%</td>
<td>(1,638,852)</td>
<td>(33,425)</td>
<td>5%</td>
<td>(67,659)</td>
<td></td>
</tr>
<tr>
<td>Temporary</td>
<td>0%</td>
<td>(33,108)</td>
<td>0%</td>
<td></td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>19%</td>
<td>(1,905,746)</td>
<td>4%</td>
<td></td>
<td>(45,000)</td>
<td></td>
</tr>
<tr>
<td>Sub total</td>
<td>36%</td>
<td>(3,577,706)</td>
<td>(33,425)</td>
<td>5%</td>
<td>(67,659)</td>
<td></td>
</tr>
<tr>
<td>Total Outgoing</td>
<td>100%</td>
<td>(9,872,043)</td>
<td>(235,681)</td>
<td>100%</td>
<td>(1,237,637)</td>
<td></td>
</tr>
</tbody>
</table>

Net Long/Short 4% (391,133) 150,186 14,947 -13%

Expenditure Tracking

Looking at Expenditures at the 75% Mark
WASHINGTON STATE UNIVERSITY

20% increase '15 to '16
83% increase '12 to '16
Salaries up 50% '12 to '16
Tremendous increase in operations, due mainly to University initiatives.
Travel up from '15 to '16, but down from '12.

Allocations & Expenditure Per Fiscal Year

25% increase '15 to '16
83% increase '12 to '16
Salaries up 50% '12 to '16
Tremendous increase in operations, due mainly to University initiatives.
Travel up from '15 to '16, but down from '12.
<table>
<thead>
<tr>
<th>OFFICE</th>
<th>CONTACT</th>
<th>FOR ASSISTANCE WITH</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUDGET OFFICE</td>
<td>Kelley Westhoff, Executive Director for Budget, Finance and Analysis</td>
<td></td>
</tr>
<tr>
<td>CAPITAL BUDGET</td>
<td>Debbie Carlson, Capital Budget Director</td>
<td>Capital Budget</td>
</tr>
<tr>
<td>CAPITAL BUDGET</td>
<td>Carrie Johnson, Capital Budget Analyst</td>
<td>Capital Budget</td>
</tr>
<tr>
<td>OPERATING BUDGET</td>
<td>Ross Benson, Budget Officer</td>
<td>Operating Budget Level (PBL), Budget Planning System (BPS)</td>
</tr>
<tr>
<td>OPERATING BUDGET</td>
<td>Chris Jones, Budget Officer</td>
<td>Staff Planning, Fiscal Notes</td>
</tr>
<tr>
<td>OPERATING BUDGET</td>
<td>Maggie McMillen, Budget Policy Analyst</td>
<td>F&amp;A Allocations, M&amp;A Arrangements, Fiscal Notes</td>
</tr>
<tr>
<td>OPERATING BUDGET</td>
<td>Dave Anderson, Computer System Administrator</td>
<td>BPS</td>
</tr>
<tr>
<td>STAFF PLANNING</td>
<td>Anne-Lise Brooks, Budget Analyst</td>
<td>Staff Planning</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OFFICE</th>
<th>CONTACT</th>
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</tr>
</thead>
<tbody>
<tr>
<td>OFFICE CONTACT FOR ASSISTANCE WITH:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BUSINESS AND FINANCIAL SERVICES</td>
<td>Matt Skinner, Associate Vice President</td>
<td>Contracts, real estate agreements, student affiliation agreements, compliance agreements, contract training</td>
</tr>
<tr>
<td>CONTRACTS OFFICE</td>
<td>Amanda Owen, Manager</td>
<td>Contracts, real estate agreements, student affiliation agreements, compliance agreements, contract training</td>
</tr>
<tr>
<td>CONTROLLER'S OFFICE</td>
<td>Manali Bettendorf, Controller</td>
<td>General financial and accounting policy</td>
</tr>
<tr>
<td>CONTROLLER'S OFFICE</td>
<td>Casey Dr. Choy, Assistant Controller</td>
<td>Sponsored Programs and Purchasing Card</td>
</tr>
<tr>
<td>CONTROLLER'S OFFICE</td>
<td>Jessica Johns, Fiscal Manager</td>
<td>Accounts Payable and Travel</td>
</tr>
<tr>
<td>CONTROLLER'S OFFICE</td>
<td>Debbie Brotchie, Therapist</td>
<td>General questions, contract requests, vendor's office, general support services</td>
</tr>
<tr>
<td>CONTROLLER'S OFFICE</td>
<td>Rick Day, Associate Treasurer</td>
<td>Accounting</td>
</tr>
<tr>
<td>CONTROLLER'S OFFICE</td>
<td>Tammy Halverson, Manager</td>
<td>General Accounting, financial statements, general ledger</td>
</tr>
<tr>
<td>PURCHASING SERVICES</td>
<td>Tammy, Director</td>
<td>Procurement training, university purchases, personal services contracts</td>
</tr>
<tr>
<td>TREASURY SERVICES</td>
<td>Karen Lehman, Director</td>
<td>Checking relationships, investments, electronic payments, WSU Card Accounting System</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OFFICE</th>
<th>CONTACT</th>
<th>FOR ASSISTANCE WITH</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINANCIAL SYSTEMS MODERNIZATION</td>
<td>Joy Rustini, Director</td>
<td>Workday implementation, project scope, policy questions related to finance system changes, or to escalate issues related to Finance, Change Management or Financial Planning.</td>
</tr>
<tr>
<td>HUMAN RESOURCE SYSTEMS MODERNIZATION</td>
<td>Jennifer Stein, Director</td>
<td>Human Resource system changes or functionality, part of the Workday implementation. Functions in scope include: position management, time &amp; attendance management, and compensation and recruitment.</td>
</tr>
<tr>
<td>FINANCIAL SYSTEMS MODERNIZATION</td>
<td>Geri Kimble, Assistant Director</td>
<td>Workday Finance system functionality, and functional changes, related to the Finance, position management, and integration and data conversion.</td>
</tr>
</tbody>
</table>
What is the Modernization Initiative

A university-wide effort to prevent system failure and improve support for WSU’s growing research and instruction activities through the replacement of our 38 year old mainframe system and processes.

Why now

Recognizing a shared fiduciary responsibility to ensure continuity of University operations, the WSU Board of Regents asked WSU leadership to address this urgent need in a thoughtful and prompt manner. The effort has been underway since January 2016.

The decision to proceed is driven by four key areas:

- Coded in a programming language no longer taught in school
- No outside vendor support
- Declining number of staff able to support system
- Rapid decline in ability to support system
1. **Why now**

   - Federal and state regulations become more detailed.
   - WSU’s workforce grows outside of the state and around the globe.
   - Grant awards become more complex.

2. **Case in Point**

   Federal labor and health care standards have become more detailed, yet WSU continues paper leave reporting, which are difficult to track. Current leave reports are inaccurate 45% of the time.

3. **Non Compliance Risk**

   - Federal labor and health care standards have become more detailed.
   - WSU’s workforce grows outside of the state and around the globe.
   - Grant awards become more complex.

4. **Outdated Processes Impede Mission Fulfillment**

   - Case in Point: Grants Management
     - 23,000 manually generated reports, invoices, and effort certifications completed and routed per year.
     - 57,000 estimated faculty and staff labor hours consumed per year.
     - Research deliverables and invoicing are often late or missed due to disconnected manual processes.
     - Limited ability for faculty to plan and manage grants and contracts.

5. **System Failure Risk**

   - Case in Point: Grants Management
     - Research deliverables and invoicing are often late or missed due to disconnected manual processes.
     - Limited ability for faculty to plan and manage grants and contracts.

6. **Why now**

   - Outdated Processes Impede Mission Fulfillment

7. **System Failure Risk**

   - Case in Point: Grants Management
     - Research deliverables and invoicing are often late or missed due to disconnected manual processes.
     - Limited ability for faculty to plan and manage grants and contracts.

8. **Non Compliance Risk**

   - Federal labor and health care standards have become more detailed.
   - WSU’s workforce grows outside of the state and around the globe.
   - Grant awards become more complex.

9. **Outdated Processes Impede Mission Fulfillment**

   - Case in Point: Grants Management
     - Research deliverables and invoicing are often late or missed due to disconnected manual processes.
     - Limited ability for faculty to plan and manage grants and contracts.

10. **System Failure Risk**

    - Case in Point: Grants Management
      - Research deliverables and invoicing are often late or missed due to disconnected manual processes.
      - Limited ability for faculty to plan and manage grants and contracts.

11. **Non Compliance Risk**

    - Federal labor and health care standards have become more detailed.
    - WSU’s workforce grows outside of the state and around the globe.
    - Grant awards become more complex.

12. **Outdated Processes Impede Mission Fulfillment**

    - Case in Point: Grants Management
      - Research deliverables and invoicing are often late or missed due to disconnected manual processes.
      - Limited ability for faculty to plan and manage grants and contracts.

13. **System Failure Risk**

    - Case in Point: Grants Management
      - Research deliverables and invoicing are often late or missed due to disconnected manual processes.
      - Limited ability for faculty to plan and manage grants and contracts.

14. **Non Compliance Risk**

    - Federal labor and health care standards have become more detailed.
    - WSU’s workforce grows outside of the state and around the globe.
    - Grant awards become more complex.

15. **Outdated Processes Impede Mission Fulfillment**

    - Case in Point: Grants Management
      - Research deliverables and invoicing are often late or missed due to disconnected manual processes.
      - Limited ability for faculty to plan and manage grants and contracts.
WASHINGTON STATE UNIVERSITY

Why now

Case in Point: Basic Fiscal Management
30,000 budget or expense transfers routed, signed and input per year.
36,000 estimated faculty and staff hours consumed per year.
Unable to easily see remaining budget without a complex financial reconciliation.
Planning for revenue is not available.

Why now

Case in Point: Paying Employees
115,000 manual adjustments to payroll, routed across departments each year.
28,000 estimated faculty and staff hours consumed per year.
Increasing number of errors as WSU grows in complexity.

Why now

Case in Point: Tracking Annual Leave
50,000 paper reports completed, routed, and signed per year.
60,000 estimated labor hours consumed per year.
45% error rate.
WASHINGTON STATE UNIVERSITY

Why now

System Failure Risk
- Outdated Processes
- Impede Mission Fulfillment

Non Compliance Risk
- Lagging fiscal data to Support Decision Making

Outcomes
- Ensure Continuity of university operations
- Embrace Modern, scalable and standardized processes to support growth
- End Costly inefficient and ineffective processes
- Encourage Data enabled decision making and budget management

In the words of the University community...

"Decisions are often based off of anecdotes given a lack of data available. Decisions are based off of what you think you know instead of what is actually occurring."

"All of the business rules are in our heads."

"A mile of paper on top of everything we do."

"A lot of money isn't spoken to in the system."

"No single point of truth as to financial performance. Risk of under or over committing resources is high."

"Growing research expenditures will be impossible until we have the financial tools to manage grants expenditures effectively."

"How much budget do I have left for the year? No idea!"

"A lot of money isn't spoken to in the system."

"Several hundred different shadow systems to track leave, payroll, and budgets."

"What is my current leave balance? No idea."

"How much budget do I have left for the year? No idea."

"What is my current leave balance? No idea."

"No single point of truth as to financial performance. Risk of under or over committing resources is high."

"Outcomes End Costly inefficient and ineffective processes Encourage Data enabled decision making and budget management
When will it happen

![Timeline showing when events will occur]

How much will it cost

- **One-Time Costs = $30M**
  - Includes costs such as:
    - Integration partner (a consulting firm that helps configure the software to meet WSU needs)
    - Change management
    - Training
    - Appropriate project contingencies.

- **On-Going Costs = $7.0M per year**
  - Includes costs such as:
    - ERP software
    - Dedicated staffing
    - User training and support.

Funding the investment

- **One-Time Costs = $30M**
  - Debt financing repaid using $3.1M in revenues that have covered key infrastructure investments for many years:
    - Student Information System debt payment, $1.3M
    - Veterinary Hospital debt payment, $1.8M
  - No increase in annual debt payment
  - No impact on unit budgets.

- **On-Going Costs = $7.0M per year**
  - Investment from Strategic Reallocation Pool and revenue from enrollment growth
  - Seed funds saved up for this investment
  - "Payroll tax" assessed to all units
If you attended this live training session and wish to have your attendance documented in your training history, please notify Human Resource Services within 24 hours of today's date:

hrstraining@wsu.edu