Understanding the University Operating Budget
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Executive Director for Budget, Planning, & Analysis

Agenda
- The State of Washington Budget & Higher Education Sector
- Higher Education Budget Models
- The WSU Budget
- The WSU Budget Office
- COVID-19 Budgetary Impacts
- On the Horizon

State of Washington Budget & Higher Education Sector
Washington State Budget & Higher Education Sector

- 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

- Biennial budget can be modified in any legislative session
  - Supplemental Budgets

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:
  - 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.
### Higher Education Sector General Fund Appropriations

<table>
<thead>
<tr>
<th>Sectors of Government</th>
<th>State Funds</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative</td>
<td>194,153</td>
<td>0.4%</td>
</tr>
<tr>
<td>Judicial</td>
<td>340,797</td>
<td>0.6%</td>
</tr>
<tr>
<td>Governmental Operations</td>
<td>766,204</td>
<td>1.4%</td>
</tr>
<tr>
<td>Other Human Services</td>
<td>10,637,039</td>
<td>20.0%</td>
</tr>
<tr>
<td>Social and Health Services</td>
<td>6,469,967</td>
<td>12.3%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>500,460</td>
<td>0.9%</td>
</tr>
<tr>
<td>Transportation</td>
<td>126,118</td>
<td>0.2%</td>
</tr>
<tr>
<td>Public Schools</td>
<td>27,189,785</td>
<td>51.1%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>4,066,027</td>
<td>7.6%</td>
</tr>
<tr>
<td>Other Education</td>
<td>69,744</td>
<td>0.1%</td>
</tr>
<tr>
<td>Special Appropriations</td>
<td>2,900,277</td>
<td>5.4%</td>
</tr>
<tr>
<td>Total 2020 Supplemental</td>
<td>53,260,601</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

### Change in Washington State Higher Education Funding 2011-12 to 2015-16

Overall state spending increased $7.1B between 2001-2003 and 2011-13. Overall spending on higher education decreased $198M in the same timeframe, and Washington public baccalaureate institutions saw a disproportionate $498M decrease in state funding.

### Change in Washington State Higher Education Funding 2006-07 to 2018-19

Overall state spending has increased $2.29B since 2001-03. Overall spending on higher education has increased $5.38B in the same timeframe, while Washington public baccalaureate institutions have seen a 1.5% increase in state funding.
2019-21 Biennial Operating Budget

Tuition & Foundational Support

- Budget assumes $20.2 million of new costs for compensation, benefits, and central services will be covered by new tuition.

- Budget writers recognized that the assumed costs covered from tuition ($20.2 million) are greater than the new tuition WSU could generate, so ‘Compensation and central service’ support (foundational support) of $5.3 million was provided as state appropriation to reduce the costs assumed to be covered from new tuition.

- Net amount WSU is expected to generate from new tuition $14.8 million.

2021-23 Biennial Operating Budget

- Proposed 2021-23 Biennial Operating Budgets
  
<table>
<thead>
<tr>
<th>State Appropriations</th>
<th>WSU Request Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>2021-23 Maintenance Level</td>
<td>$33,500</td>
</tr>
<tr>
<td>Medical School Completion Funding</td>
<td>$3,600</td>
</tr>
<tr>
<td>Mandatory 5% Budget Reduction</td>
<td>($2,066)</td>
</tr>
<tr>
<td>Total 2021-23 Biennal Budget (State Appropriations)</td>
<td>$474,238</td>
</tr>
</tbody>
</table>
Two popular models in higher education:

- Incremental Budget
- Responsibility Centered Budget

Incremental Budget employs an allocation process where units’ legacy funding levels increase (or decrease) incrementally based on overall changes in institutional resources.
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, or if state appropriations are reduced, each unit receives a proportional increase or decrease in PBL.

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.

Another element of an RCM budget is that revenue generating units are charged for institutional overhead and pay a "subvention tax".
WASHINGTON STATE UNIVERSITY

WSU uses an 'RCM-like' model for our campuses in Vancouver and Tri-Cities. Both those campuses receive the tuition they generate less an 11% assessment for institutional support.

Budget Models

Distribution of F&A Revenue (EP-2)

- 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

The WSU Budget

The WSU Operating Budget
Adjusted for inflation, the total cost of educating a student at WSU has remained steady during 20 years of declining state investments.

Student tuition now covers 50% of the cost of education.
**The WSU Budget: Tuition**

**Net Operating Fees**

Gross Operating Fees

Less: 4% Aid Fund

Less: Operating Fee Waivers

Net Tuition (Operating Fee) Revenue

**Components of Tuition**

<table>
<thead>
<tr>
<th>Annual Amounts</th>
<th>2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Building</td>
</tr>
<tr>
<td>RESIDENT - Undergraduate</td>
<td>587.00</td>
</tr>
<tr>
<td>RESIDENT - Graduate</td>
<td>351.00</td>
</tr>
<tr>
<td>NON-RESIDENT - Undergraduate</td>
<td>1,128.00</td>
</tr>
<tr>
<td>NON-RESIDENT - Graduate</td>
<td>905.00</td>
</tr>
</tbody>
</table>

**Net Operating Fees by Category**

Pie chart of percentages

- Undergraduate: 85%
- Graduate: 6%
- Professional: 9%
WASHINGTON STATE UNIVERSITY

The WSU Budget

Undergraduate Net Operating Fees

The WSU Budget : Tuition

Tuition Policy-Post Recession

2013-15 Biennium
- No increase in resident UG tuition per legislative mandate, WSU held all rates flat.
- 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.

2015-17 Biennium
- Beginning with the 2017-18 academic year, full-time tuition operating fees for resident undergraduates may increase by no more than the average annual percentage growth rate in the median hourly wage for Washington for the previous fourteen years as the wage is determined by the federal bureau of labor statistics. (2%-2.5%)
- Although authorized to increase tuition by any amount for all other student categories, WSU opted for no tuition increase in academic years 2017-18, or 2018-19. Nonresident and graduate rates increased the same amount as resident undergraduate in 2019-20 (2.4%) and 2020-21 (2.5%).

Tuition Rate Change History

<table>
<thead>
<tr>
<th>Year</th>
<th>Resident Undergraduate</th>
<th>Non-Resident Undergraduate</th>
<th>Resident Graduate</th>
<th>Non-Resident Graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>16.0%</td>
<td>8.0%</td>
<td>16.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>2012-13</td>
<td>16.0%</td>
<td>16.0%</td>
<td>16.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>2013-14</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2014-15</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2015-16</td>
<td>2.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2016-17</td>
<td>10.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2017-18</td>
<td>2.2%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2018-19</td>
<td>2.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2019-20</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>2020-21</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

- Resident Undergraduate rate increases have been modest (inflationary) or decreased since AY 2013-14
- Non-resident undergraduate and graduate rates were held flat at 2012-13 rates until 2019-20. (7 years)
The WSU Budget

Use of 2019-21 Biennial Budget – By Function
State Appropriation and Operating Tuition

- Instruction 44%
- Plant Operations and Maintenance 16%
- Institutional Support 12%
- Student Services 6%
- Library 5%
- Primary Support 6%
- Community and Public Services 5%
- Research 3%

The WSU Budget

Use of 2019-21 Operating Budget by Expense Type
State Appropriation and Operating Tuition

- Operating 13%
- Salary 12%
- Benefits 10%
- Equipment and Supplies 9%
- Other 4%

The WSU Budget Office
### Budget Office Activities

- Core operating fund management and allocation
  - State Appropriations, Tuition, F&A, AFI
  - About 50% of annual operating budget
    - Contracts & grants, and Auxiliaries make up most of the rest

- Internal Operating Budget Process
  - Development & Implementation
    - All fund budgeting
    - Multi-year planning
    - Workday budget development

### Budget Office Activities

- Planning and Analysis
  - Actual v. Budget
  - Revenue forecasting & commitment tracking

- State Operating Budget Requests & Deliverables
  - Biennial state budgets
  - Liaison to Governor’s budget office (OFM) & legislative staff

- Ad hoc reporting & analysis (decision support) / University workgroup / committee service and support

### WSU Budget Policies

**COVID-19 Budgetary Impacts**
### State Appropriations

- In April 2020, just after the onset of the pandemic, an unofficial update to the state’s revenue forecast projected revenue collections over the next three fiscal years would be about $7 billion lower than previously forecasted. This amount was revised to $8.8 billion in June 2020.

- In order to confront the fiscal crisis, the Governor’s Office of Fiscal Management (OFM) directed all state agencies to identify operating budget savings for FY-2021 equal to 15% of current appropriations.

- WSU’s state appropriation reduction target was $37.2 million.

- Agencies were required to submit reduction packages with biennial budget requests for the 2021-23 biennium.

- Units have modeled how they would absorb these reductions over the current and next two fiscal years.

### Other Financial Impacts

- Auxiliary enterprise activities - Significant revenue loss in housing, dining, and student facilities (Rec Center, CUB, etc.).

- Intercollegiate athletics – Lost revenue from shortened or cancelled seasons, no ticket sales, and lost television revenues.

- Student Fees – refunded a portion of a number of mandatory student fees and cancelled most course fees.

### COVID-19 Federal Relief

- **CARES Act**
  - Coronavirus Aid, Relief, and Economic Security (CARES) Act provided $14 billion in support for students and higher education institutions. WSU received $21.76 million.
  - $10.88 million paid directly to students
  - $10.88 million used to cover housing refunds last spring, and costs of transition to online learning.

- **CRRSAA Act**
  - Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), signed December 27, 2020 makes additional $22.7 billion in federal relief available to higher education. WSU will receive a total allocation of $35 million under this legislation.
  - $11 million must be provided directly to students.
  - The remaining $24 million may be used to defray expenses associated with coronavirus, including lost revenue and reimbursement of expenses already incurred. University leaders are evaluating how these funds will be utilized.

- **American Rescue Plan Act of 2021**
  - Additional $40 billion for higher education. WSU could receive $60 million, half of which must be distributed directly to students.
Financial Recovery

On the Horizon

- Workday implementation
- New Process for Development of Budgets
- Core Funds / Non-Core Funds
- Changes in timing of core fund allocations

- 2021-23 State Budget Process
  - State Revenue Forecast
  - House and Senate budgets
  - Legislative (Regular) Session ends April 25th

- Executive Budget Council
  - WSU Budget model
  - Alignment of budget with strategic plan & OneWSU

Other Budget & Fiscal Initiatives

- 2021-23 State Budget Process
  - State Revenue Forecast
  - House and Senate budgets
  - Legislative (Regular) Session ends April 25th

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QUESTIONS