


WASHINGTON STATE
UNIVERSITY




**Understanding the University
Operating Budget**
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- \$ 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

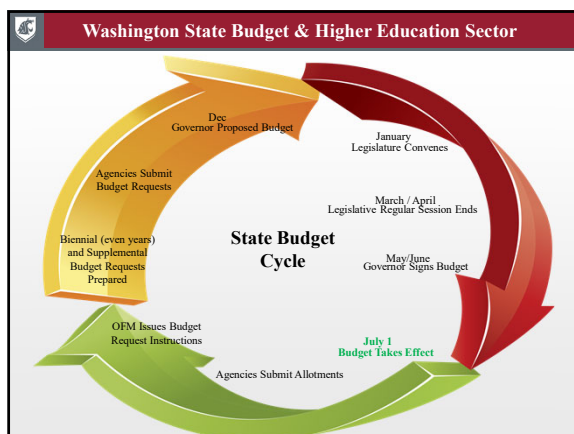
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State of Washington Budget & Higher Education Sector



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



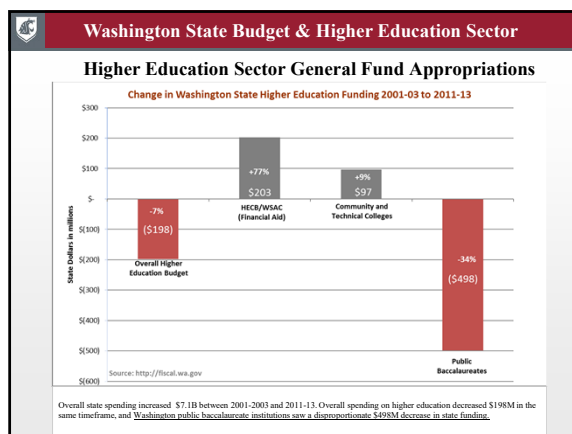


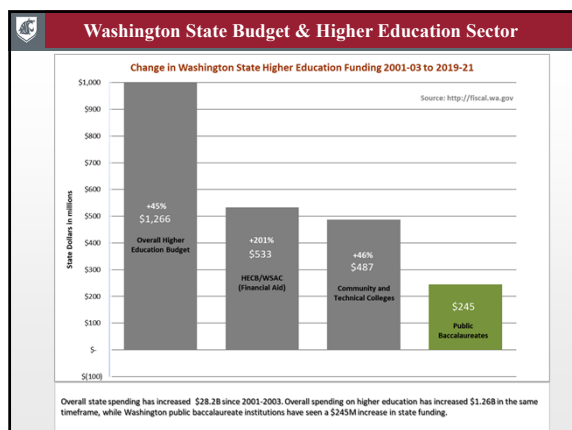
Washington State Budget & Higher Education Sector

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.

Washington State Budget & Higher Education Sector		
The Higher Ed Sector – Operating Budget		
2019-21 Omnibus Budget - After 2020 Supplemental		
(Dollars in Thousands)		
Sectors of Government	State Funds	%
Legislative	194,153	0.4%
Judicial	340,797	0.6%
Governmental Operations	766,204	1.4%
Other Human Services	10,637,039	20.0%
Social and Health Services	6,469,997	12.1%
Natural Resources	500,460	0.9%
Transportation	126,118	0.2%
Public Schools	27,189,785	51.1%
Higher Education	4,066,027	7.6%
Other Education	69,744	0.1%
Special Appropriations	2,900,277	5.4%
Total 2020 Supplemental	53,260,601	100.0%



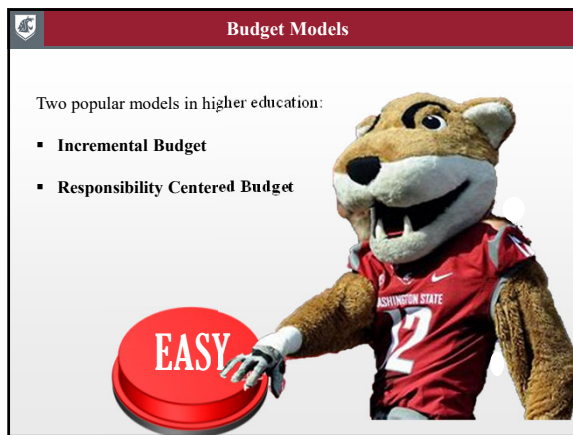


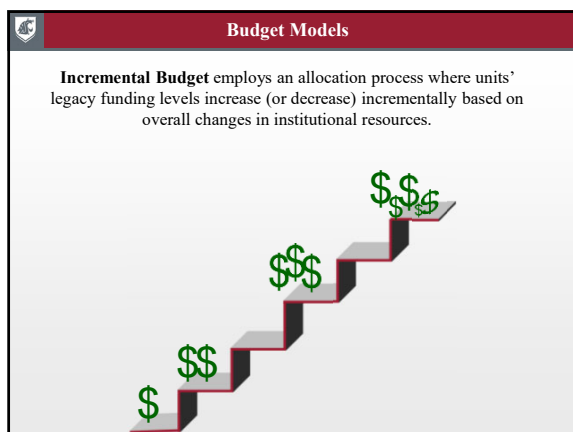
2019-21 Biennial Operating Budget		
2019-21 Operating Budgets		
	State Appropriations	
	(\$ thousands)	
	WSU Request Budget	Compromise
2019-21 Maintenance Level	\$ 485,092	\$ 467,595
Medical School - Completion Funding*	\$ 10,800	\$ 10,800
Medical School - Expansion Funding*	\$ 3,600	\$ 3,600
Retention and Compensation	\$ 38,406	\$ 15,439
AG Additional Legal Services	\$ 460	
M&O Digital Classroom	\$ 1,920	
Soil Health Initiative	\$ 2,809	\$ 500
Compensation & Central Services Support*		\$ 5,353
Renewable Energy Program		\$ 1,411
Other		\$ 1,958
Total 2019-21 Biennial Budget (State Appropriations)	\$ 543,087	\$ 506,656
*Funded by E25 HB 2158: Workforce Education		

Tuition & Foundational Support	
<ul style="list-style-type: none"> 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	
State Appropriations	
(\$ in thousands)	
	WSU Request Budget
2021-23 Maintenance Level	553,504
Medical School Completion Funding	3,600
Mandatory 15% Budget Reduction	(82,866)
Total 2021-23 Biennial Budget (State Appropriations)	474,238





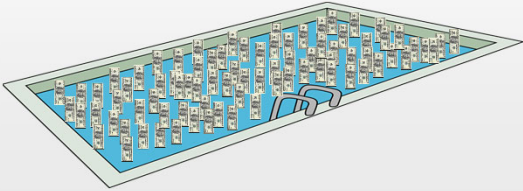


Budget Models

Example of Incremental Budgeting: PBL – Planning Budget Level

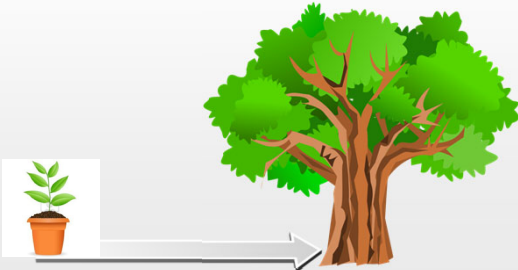
Units have base levels of funding, which is backed by a pool of tuition plus state appropriations.

When new state funding is provided, or if state appropriations are reduced, each unit receives a proportional increase or decrease in PBL.




Budget Models


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.





Budget Models


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



**Budget Models**

WSU uses and '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: Formula Funding**

Distribution of F&A Revenue (EP-2)

4% Office of Research


7% Libraries

38% Campus Support

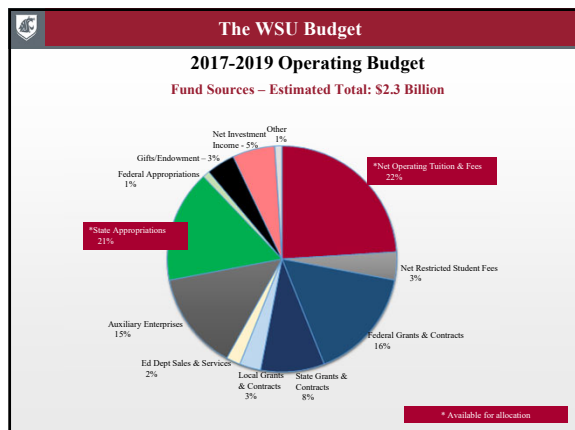
28% University Support

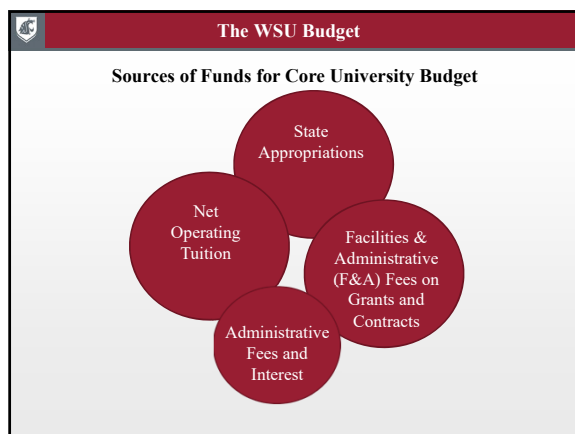
23% to F&A Revenue Generating Units

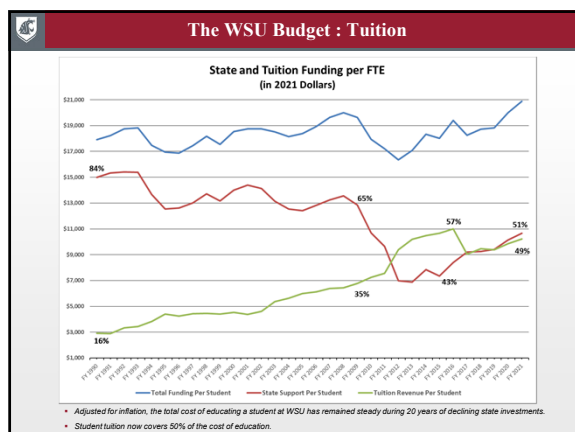
For more information:
BPPM 40.25

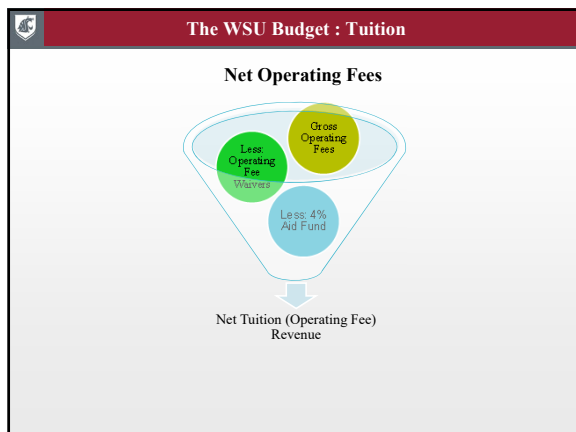
**The WSU Budget**

The WSU Operating Budget





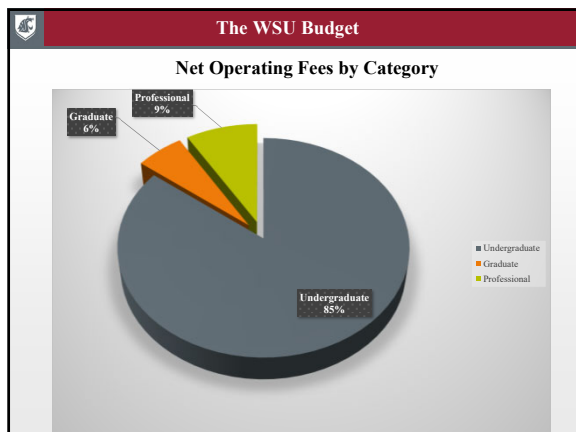


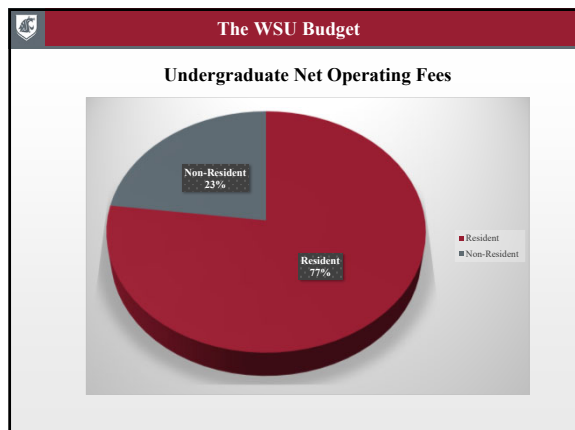


The WSU Budget : Tuition

Components of Tuition

Annual Amounts	2020-21		
	Building	Operating	Tuition Bldg+Oper
RESIDENT - Undergraduate	587.00	9,615.00	10,202.00
RESIDENT - Graduate	351.00	11,430.00	11,781.00
NON-RESIDENT - Undergraduate	1,128.00	24,017.00	25,145.00
NON-RESIDENT - Graduate	905.00	24,974.00	25,879.00





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.

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.

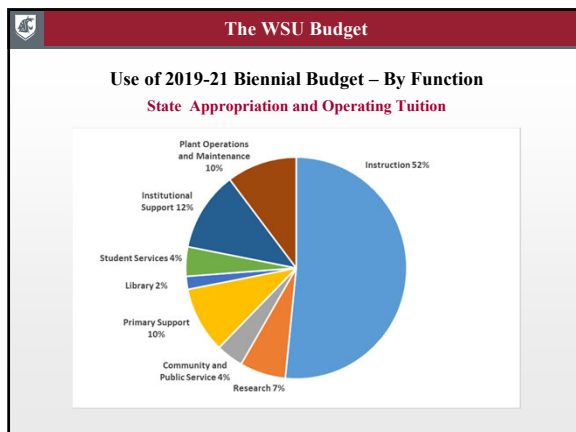
2017-19 & 2019-21 Biennium

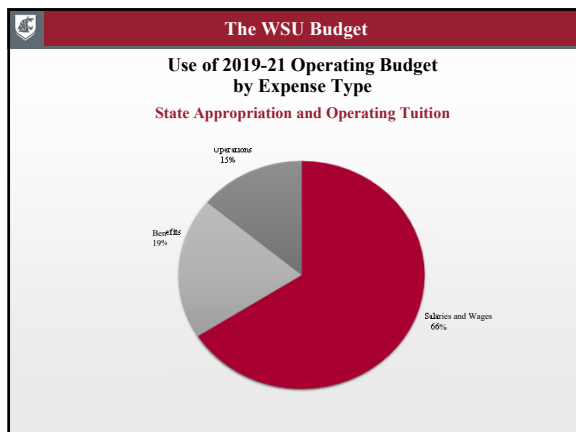
- Beginning with the 2017-18 academic year, full-time tuition operating fees for resident undergraduates may increase by no more than the average annual percentage growth rate in the median hourly wage for Washington for the previous fourteen years as the wage is determined by the federal bureau of labor 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 20120-21 (2.5%).

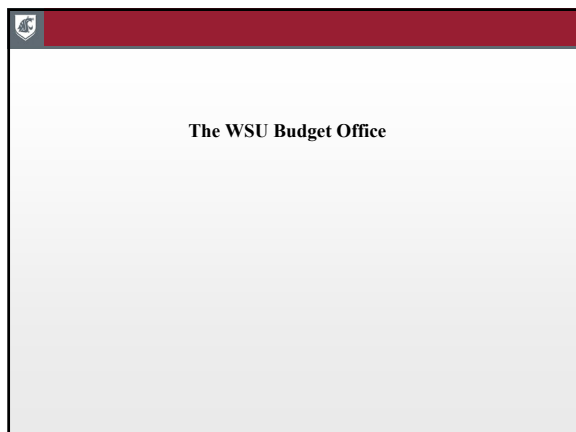
Tuition Rate Change History

Historical Tuition Rate Changes				
AY	Resident Undergraduate	Non-Resident Undergraduate	Resident Graduate	Non-Resident Graduate
2011-12	16.0%	8.0%	16.0%	8.0%
2012-13	16.0%	16.0%	16.0%	8.0%
2013-14	0.0%	0.0%	0.0%	0.0%
2014-15	0.0%	0.0%	0.0%	0.0%
2015-16	-5.0%	0.0%	0.0%	0.0%
2016-17	-10.0%	0.0%	0.0%	0.0%
2017-18	2.2%	0.0%	0.0%	0.0%
2018-19	2.0%	0.0%	0.0%	0.0%
2019-20	2.4%	2.4%	2.4%	2.4%
2020-21	2.5%	2.5%	2.5%	2.5%

- 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)







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

**Other Budget & Fiscal Initiatives**

- 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



QUESTIONS