Understanding the University Operating Budget
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State of Washington Budget & Higher Education Sector

$ 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
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 UNIVERSITY

The Higher Ed Sector – Operating Budget
2019-21 Omnibus Budget - After 2020 Supplemental

<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>6,469,997</td>
<td>12.1%</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>

Higher Education Sector General Fund Appropriations

Change in Washington State Higher Education Funding 2001-02 to 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.

- Source: https://wsu.edu

Change in Washington State Higher Education Funding 2001-02 to 2019-21

- Overall state spending has increased $23B since 2001-02. Overall spending on higher education has increased $1,186 in the same timeframe, while Washington public baccalaureate institutions have seen a $463M increase in state funding.

- Source: http://wsu.edu
2021-23 Biennial Operating Budget

Proposed 2021-23 Biennial Operating Budgets

<table>
<thead>
<tr>
<th>State Appropriations</th>
<th>WSU Request Budget</th>
<th>2021-23 RR Final Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021-23 Maintenance Level</td>
<td>553,504</td>
<td>552,827</td>
</tr>
<tr>
<td>Medical School Completion Funding</td>
<td>3,600</td>
<td>3,600</td>
</tr>
<tr>
<td>Soil Health Initiative</td>
<td>2,076</td>
<td></td>
</tr>
<tr>
<td>Other Bills and Initiatives</td>
<td>6,649</td>
<td></td>
</tr>
<tr>
<td>Mandatory 15% Budget Reduction</td>
<td>(32,866)</td>
<td></td>
</tr>
<tr>
<td>Total 2021-23 Biennial Budget (State Appropriations)</td>
<td>474,238</td>
<td>565,152</td>
</tr>
</tbody>
</table>

2021-23 Biennial Operating Budget

Enacted Budget 2021-23 Biennium
- SB 5092 passed on April 25, 2021
- Signed by Governor on May 18, 2021
- Enacted Budget includes:
  - $3.6M for Elson S. Floyd College of Medicine to fund 3rd and 4th year instruction.
  - $2.1M to fund the Soil Health Initiative advanced by the university in the 2020 legislative session.
  - $656,000 for maintenance and operations of new state buildings to be completed in 2021-23.
  - Funding for various bills and other proviso funds for specific initiatives.
- The final budget does not include mandatory reductions that were a required part of the WSU request budget submitted last summer.

Budget Models
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".

WSU uses a '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.
The WSU Operating Budget

2019-21 Operating Budget

Fund Sources – Estimated Total: $2.4 Billion

- State Appportionment: 21%
- Federal Appportionment: 2%
- Federal Grants & Contracts: 16%
- State Grants & Contracts: 8%
- Local Grants & Contracts: 3%
- Auxiliary Enterprises: 15%
- Ed Dept Sales & Services: 2%
- Gift/Endowment: 3%
- Other: 1%

- Net Investment Income: 5%
- Other: 1%
- Net Operating Tuition & Fees: 22%
- Net Restricted Student Fees: 3%
- Net Operating System & Fees: 39%

* Available for allocation

The WSU Budget
Sources of Funds for Core University Budget

- State Appropriations
- Net Operating Tuition
- Facilities & Administrative (F&A) Fees on Grants and Contracts
- Administrative Fees and Interest

**The WSU Budget**

**Components of Tuition**

<table>
<thead>
<tr>
<th>Annual Amounts</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Building</td>
</tr>
<tr>
<td>RESIDENT - Undergraduate</td>
<td>662.00</td>
</tr>
<tr>
<td></td>
<td>560.00</td>
</tr>
<tr>
<td>KON-RESIDENT - Undergraduate</td>
<td>1,156.00</td>
</tr>
<tr>
<td></td>
<td>928.00</td>
</tr>
</tbody>
</table>

* 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.
WASHINGTON STATE UNIVERSITY

Net Operating Fees

Revenue

Less: 4% Aid Fund

Less: Operating Fee Waivers

Net Tuition (Operating Fee)

Net Operating Fees by Category

Undergraduate 85%
Graduate 6%
Professional 9%

The WSU Budget: Tuition

Net Operating Fees

The WSU Budget

Undergraduate Net Operating Fees

Resident 77%
Non-Resident 23%

The WSU Budget

Net Operating Fees by Category

Undergraduate 85%
Graduate 6%
Professional 9%

Undergraduate ResNet 55%
Non-Resident 45%
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 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 (through 2021-23 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%), 2020-21 (2.5%), and 2021-22 (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>-0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2016-17</td>
<td>2.2%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2017-18</td>
<td>2.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2018-19</td>
<td>2.0%</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>2019-20</td>
<td>2.4%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>2020-21</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>2021-22</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 AV 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

- Place Operations and Maintenance 19%
- Institutional Support 12%
- Student Services 4%
- Liberac 2%
- Primary Support 0%
- Community and Public Services 4%
The WSU Budget

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

- Salaries and Wages: 66%
- Benefits: 19%
- Operations: 15%

The WSU Budget Office

- 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
- Development & Implementation
  - All fund budgeting
  - Multi-year planning
  - Workday budget development

Budget Office Activities
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.
- Units modeled how they would absorb these reductions.
- Agencies were required to submit reduction packages with biennial budget requests for the 2021-23 biennium.
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 (ARPA)
  - Additional $40 billion for higher education. WSU will receive $61.5 million, $31.2 million must be distributed directly to students.

Financial Recovery

On the Horizon
Other Budget & Fiscal Initiatives

- FY-2022 Budgets
  - Workday implementation-first load of budgets to WD
  - Partially restored funding, modeling 7.5% reductions to core funds.
  - Budget Hearings – early August

- 2021-23 State Budget Process
  - Supplemental Budget – this summer
  - Fee inventory reinstated

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

QUESTIONS