

WASHINGTON STATE
UNIVERSITY

Understanding the University Operating Budget

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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





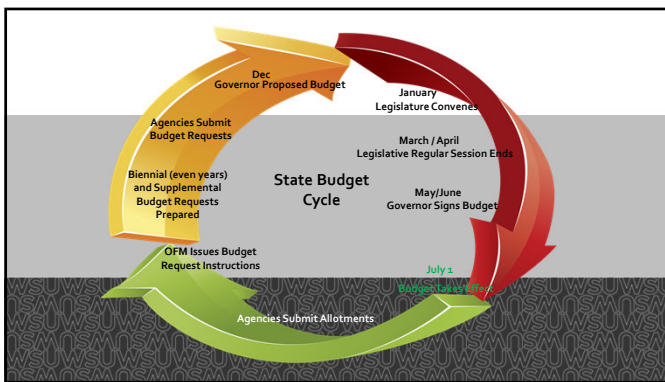
The State of Washington Budget & Higher Education Sector




Washington State Budget &
Higher Education Sector

State Budget Process

- Washington enacts budgets on a two-year cycle.
 - Biennial budgets are adopted in odd-numbered years.
- By law, the Governor must propose a 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 obligation and debt service comprise between 2/3-3/4 of the state budget.
- Higher education is sector that is considered for funding after these 'mandatory' obligations are met.



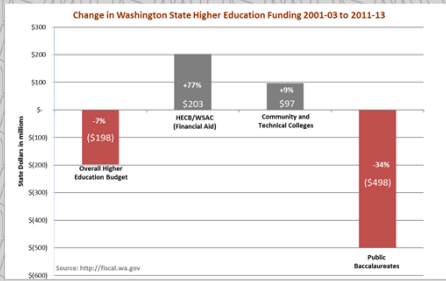
The Higher Ed Sector – Operating Budget

2021-23 Omnibus Operating Budget

(Dollars in Thousands)

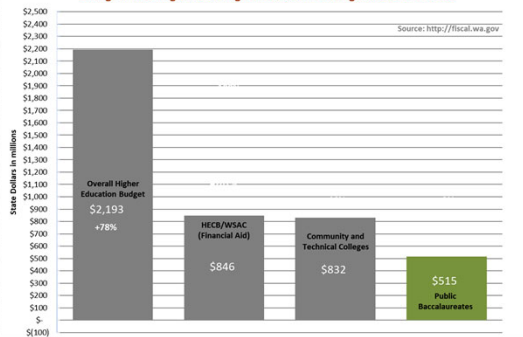
Sectors of Government	State Funds	%
Legislative	213,088	0.4%
Judicial	500,867	0.8%
Governmental Operations	1,172,473	2.0%
Other Human Services	11,420,628	19.4%
Social and Health Services	7,225,230	12.2%
Natural Resources	697,195	1.2%
Transportation	126,050	0.2%
Public Schools	28,260,228	47.9%
Higher Education	4,992,622	8.5%
Other Education	73,637	0.1%
Special Appropriations	4,300,010	7.3%
Total 2020 Supplemental	58,982,028	100.0%

Higher Education Sector General Fund Appropriations



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 2001-03 to 2021-23



Washington State Budget &
Higher Education Sector


Enacted Budget 2021-23 Biennium

- SB 5092 passed on April 25, 2021.
- Signed by Governor on May 18, 2021.
- Enacted budget includes:
 - \$3.6M Elson S. Floyd College of Medicine to fund 3rd and 4th year instruction.
 - \$2.1M to fund a 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 required part of the WSU request budget.

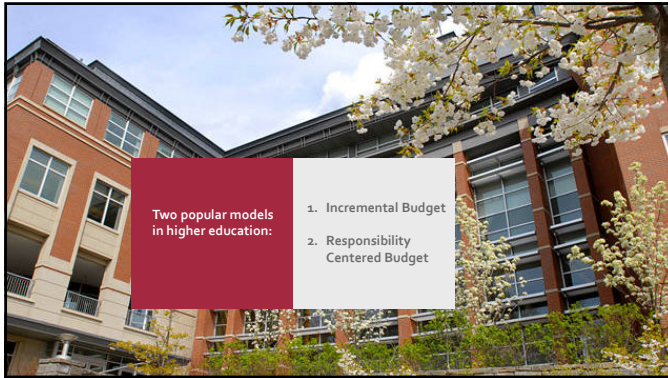


WSU 2022 Supplemental Budget Request

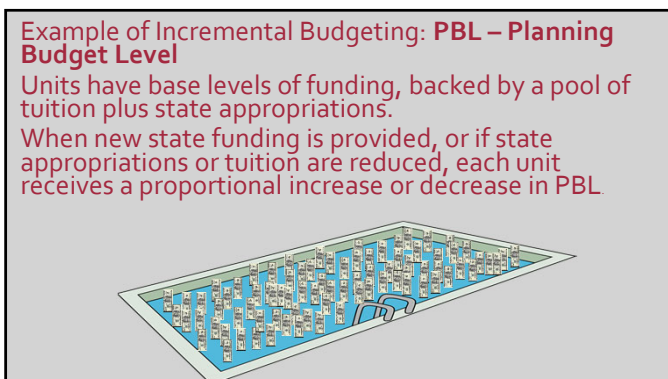
Proposed 2022 Supplemental Operating Budget Requests						
State Appropriations						
(\$ in millions)						
	WSU Request Budget	Governor Proposed 2022 Supp Budget	Senate Floor Passed	House Floor Passed	House/Senate Conference Budget	Final Enacted
Maintenance Level: 2021-23	\$65.2	\$67.3	\$66.9	\$66.9	\$66.9	\$66.9
Cybersecurity Degree Program 241.1	4.45	4.45	4.45	-	2.06	2.06
Compensation Support	9.37	7.17	7.55	7.30	7.37	7.37
Pharmacy - Behavioral Health	0.34	0.34	0.34	0.34	0.34	0.34
Prepare Future Doctors	-	0.50	0.50	-	-	-
Wk State Academy of Sciences	-	-	0.61	0.61	0.61	0.61
Hazing Prevention	-	-	-	0.12	0.12	0.12
Apprenticeships & Higher Ed	-	-	0.08	-	0.08	0.08
Agriculture/Industrial Symbolists	-	-	0.50	0.50	0.50	0.50
Organophosphate Pesticides	-	-	0.50	0.50	0.50	0.50
Pesticide Alternatives Research	-	-	0.50	-	-	-
Sexual Assault Nurse Examiners	-	-	-	0.12	0.12	0.12
Stormwater Research	-	-	0.19	-	0.19	0.19
Commercial Fishing Gear Review	-	-	0.18	-	0.18	0.18
Criminal Sentencing Task Force	-	-	-	0.22	0.22	0.22
Verifiable Credentials	-	-	0.06	-	-	-
WSU Energy Program	-	-	-	0.39	0.39	0.39
Cannabis Revenue - Research	-	-	0.04	-	0.04	0.04
Collective Bargaining	0.24	0.15	0.13	0.13	0.13	0.13
Central Services & Other	1.12	0.62	2.40	0.14	1.17	1.17
Total 2022 Supplemental Budget (State Appropriations)	\$80.7	\$80.6	\$84.4	\$77.2	\$80.9	\$80.7



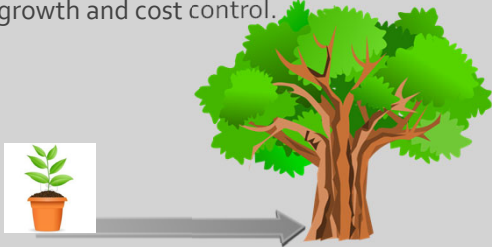
Budget Models







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

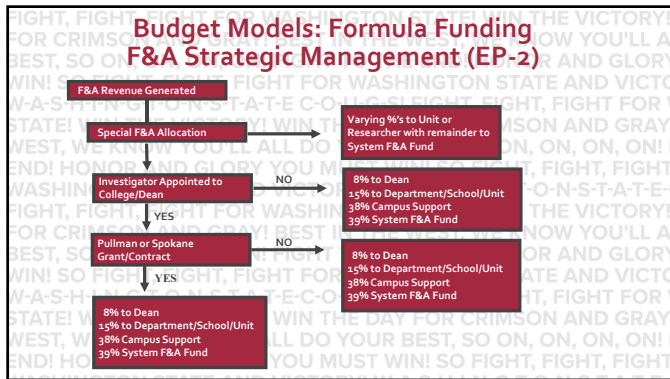


Another element of an RCM budget is that revenue generating units are charged for institutional overhead and pay a **"subvention tax"**.

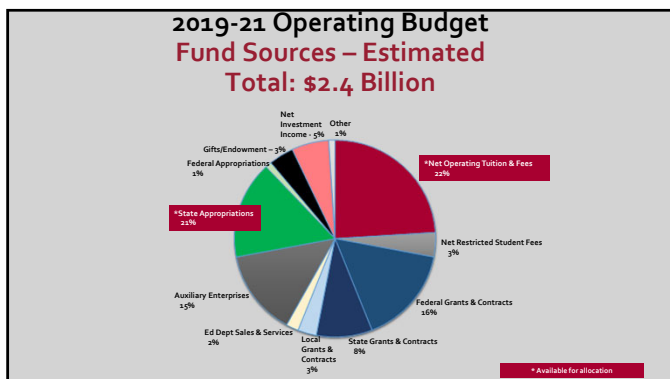


WSU uses and 'RCM-like' model for our campuses in Vancouver and Tri-Cities. Both those campuses receive the tuition they generate less an 11% assessment for institutional support.

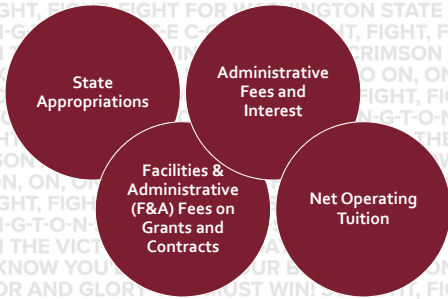


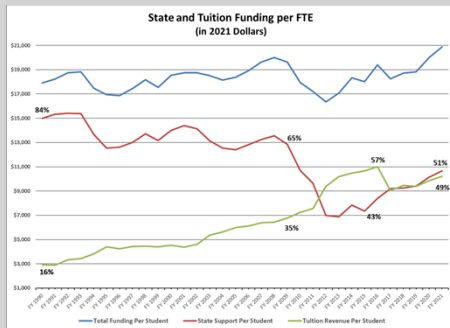






Sources of Funds for Core University Budget

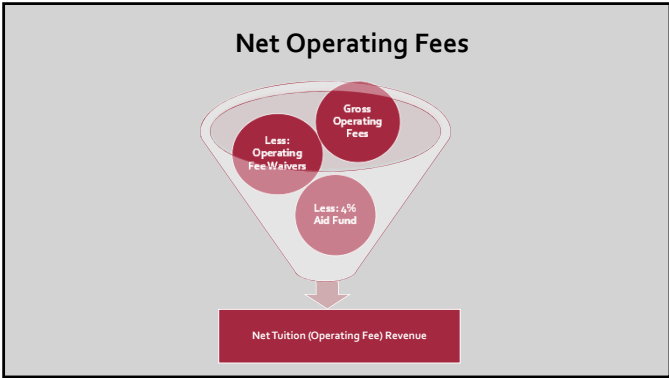


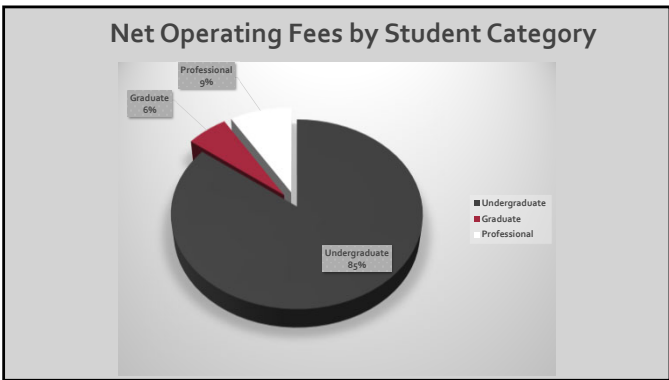


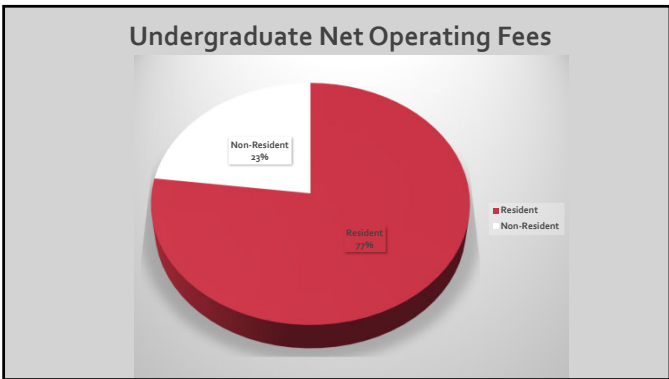
- Adjusted for inflation, the total cost of educating a student at WSU has remained steady during 20 years of declining state investments.
- Student tuition now covers 49% of the cost of education.

Components of Tuition

Annual Amounts	2021-22		
	Building	Operating	Tuition Bldg+Oper
RESIDENT - Undergraduate	602.00	9,855.00	10,457.00
RESIDENT - Graduate	360.00	11,716.00	12,076.00
NON-RESIDENT - Undergraduate	1,156.00	24,617.00	25,773.00
NON-RESIDENT - Graduate	928.00	25,598.00	26,526.00







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 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 Changes

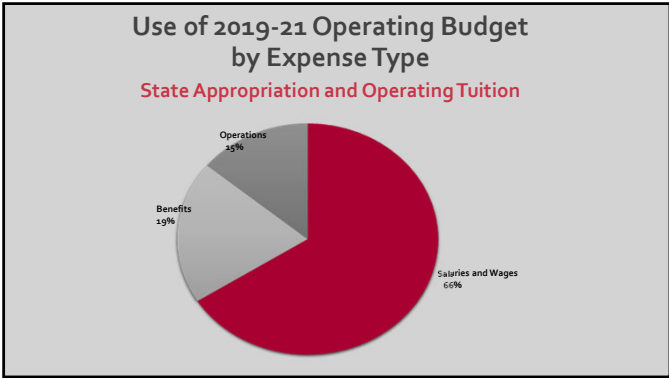
AY	Resident Undergraduate	Non-Resident Undergraduate	Resident Graduate	Non-Resident Graduate
2011-12	16.0%	8.0%	16.0%	8.0%
2012-13	16.0%	16.0%	16.0%	8.0%
2013-14	0.0%	0.0%	0.0%	0.0%
2014-15	0.0%	0.0%	0.0%	0.0%
2015-16	-5.0%	0.0%	0.0%	0.0%
2016-17	-10.0%	0.0%	0.0%	0.0%
2017-18	2.2%	0.0%	0.0%	0.0%
2018-19	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%
2021-22	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)

Use of 2019-21 Operating Budget – By Function

State Appropriation and Operating Tuition

Function	Percentage
Instruction	52%
Plant Operations and Maintenance	10%
Institutional Support	12%
Student Services	4%
Library	2%
Primary Support	10%
Community and Public Service	4%
Research	7%





The WSU Budget Office

Budget Office Activities

- Core Operating fund management and allocation
 - State Appropriations, Tuition, FA, 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 hearings



The WSU Budget Office

Budget Office Activities


- Planning and Analysis
 - Actual v. Budget
 - Revenue forecasting & commitment tracking
- State Operating Budget Requests & Deliverables
 - Biennial & Supplemental state budgets
 - Liaison to Governor's budget office (OFM) & legislative staff
- Ad hoc reporting and analysis (decision support) / University workgroup / committee service and support



COVID-19 Budgetary Impacts

State Appropriations FY-2021

- In May 2020, just after the onset of the pandemic, 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' state appropriation reduction target was \$37.2 million.
- WSU unit budget were cut commensurate with the state target.
- Agencies were required to submit 15% appropriation reduction packages with biennial budget requests for the 2021-23 biennium.





COVID-19 Budgetary Impacts

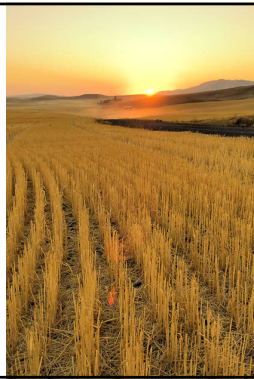
Other Financial Impacts : FY-2021

- 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 fees and cancelled most course fees.

COVID-19 Budgetary Impacts

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 spring 2020, and initial 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.
- 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.

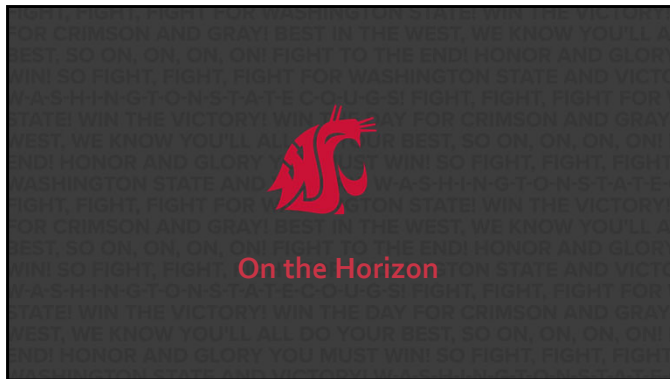




COVID-19 Budgetary Impacts

FY-2022

- Core Funds (State Appropriations & Tuition)
 - Steady improvement to state economy
 - No appropriation reduction for 2021-23 biennium.
 - Enrollment declines constraining tuition revenues
- Auxiliaries
 - Return to in person instruction and on-campus students aiding recovery of housing & dining system.
 - Athletic competition, ticket sales, and media revenue recovering.
- Other
 - Meeting with donors again (face to face), strong market for endowment.
 - Student fees restored as services resume on campus
 - Course fees restored with in-person instruction

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