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
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:
- 7 Research Universities
- 5 Regional Universities
- 2-year, 4-year, and Technical Colleges (34 total colleges)
- Washington Student Achievement Council
- Financial aid / student success advisory

Discretionary funding:
- K-12, human services, pension obligations, and debt service comprise up to 2/3 of the state budget.
- Higher education is a sector that is considered for funding after all "mandatory" obligations are met.
The Higher Ed Sector – Operating Budget

2021-23 Omnibus Operating Budget
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Sectors of Government</th>
<th>State Funds</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative</td>
<td>218,084</td>
<td>0.4%</td>
</tr>
<tr>
<td>Jobs and</td>
<td>700,687</td>
<td>0.8%</td>
</tr>
<tr>
<td>Governmental Operations</td>
<td>1,915,951</td>
<td>2.0%</td>
</tr>
<tr>
<td>Other Human Services</td>
<td>11,920,084</td>
<td>13.4%</td>
</tr>
<tr>
<td>Social and Health Services</td>
<td>7,235,219</td>
<td>8.2%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>697,533</td>
<td>0.8%</td>
</tr>
<tr>
<td>Transportation</td>
<td>126,065</td>
<td>0.2%</td>
</tr>
<tr>
<td>Public Schools</td>
<td>25,245,213</td>
<td>27.9%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>4,089,007</td>
<td>8.9%</td>
</tr>
<tr>
<td>Other Education</td>
<td>73,037</td>
<td>0.1%</td>
</tr>
<tr>
<td>Special Appropriations</td>
<td>4,900,000</td>
<td>5.3%</td>
</tr>
<tr>
<td>Total 2020 Supplemental</td>
<td>16,482,028</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Higher Education Sector General Fund Appropriations

Change in Washington State Higher Education Funding 2001-03 to 2020-21

<table>
<thead>
<tr>
<th>Source: <a href="http://budget.wa.gov">http://budget.wa.gov</a></th>
<th>2001-03 Higher Education Budget</th>
<th>2020-21 Higher Education Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Higher Education</td>
<td>$15,394</td>
<td>$15,394</td>
</tr>
<tr>
<td>$386</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community and Technical Colleges</td>
<td>$332</td>
<td></td>
</tr>
<tr>
<td>State and Local Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$315</td>
<td></td>
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</tr>
</tbody>
</table>
Enacted Budget 2021-23 Biennium

- SB 9932 passed on April 25, 2021.
- Signed by Governor on May 18, 2021.
- Enacted budget includes:
  - $3.6M to fund the 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 provisions for specific initiatives.
- The final budget does not include mandatory reductions that were required part of the WSU request budget.

<table>
<thead>
<tr>
<th>Budget Models</th>
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<tbody>
<tr>
<td>WSU 2022 Supplemental Budget Request</td>
</tr>
</tbody>
</table>
Two popular models in higher education:

1. Incremental Budget
2. 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, backed by a pool of tuition plus state appropriations. When new state funding is provided, or if state appropriations or tuition are reduced, each unit receives a proportional increase or decrease in PBL.
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.
Budget Models: Formula Funding
F&A Strategic Management (EP-2)

F&A Revenue Generated
Special F&A Allocation

Investigator Appointed to Chair Position

% to Dean % to Department/ School/ Unit % to Campus Support % to System F&A Fund

9% to Dean 15% to Department/ School/ Unit 38% to Campus Support 39% to System F&A Fund

NO YES

F&A Revenue Generated
Special F&A Allocation

Investigator Appointed to Chair Position

% to Dean % to Department/ School/ Unit % to Campus Support % to System F&A Fund

9% to Dean 15% to Department/ School/ Unit 38% to Campus Support 39% to System F&A Fund

NO YES

The WSU Operating Budget

2019-21 Operating Budget
Fund Sources – Estimated Total: $2.4 Billion
Sources of Funds for Core University Budget

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

Components of Tuition

<table>
<thead>
<tr>
<th>Components</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Building</td>
</tr>
<tr>
<td>Residential - Undergraduate</td>
<td>600.00</td>
</tr>
<tr>
<td>Residential - Graduate</td>
<td>360.00</td>
</tr>
<tr>
<td>Non-Resident - Undergraduate</td>
<td>3,754.00</td>
</tr>
<tr>
<td>Non-Resident - Graduate</td>
<td>926.00</td>
</tr>
</tbody>
</table>

- Adjustments 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.

$5,000 State and Tuition Funding per FTE (in 2021 dollars)
• No increase in resident UG tuition per legislative mandate, WSU held all rates flat.
2013-15 Biennium
• Resident undergraduate tuition (operating fee portion) reduced by 5% for academic year 2013-14 and by an additional 10% in academic year 2014-15, 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 2013-14, or 2014-15.
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 years 2015-16, or 2016-17.
2017-19 through 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%).
• Nonresident and graduate rates increased the same amount as resident undergraduates in 2019-20 (2.5%), 2020-21 (2.5%), and 2021-22 (2.5%).

Tuition Rate Changes

<table>
<thead>
<tr>
<th>AY</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>10.0%</td>
<td>8.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2012-13</td>
<td>10.0%</td>
<td>10.0%</td>
<td>0.0%</td>
<td>0.0%</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>5.0%</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>
<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 AY 2013-14.
- Non-resident undergraduate and graduate rates were held flat at 2012-13 rates until 2019-20 (7 years).
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's state appropriation reduction target was $37.5 million.
- WSU unit budgets 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.

Other Financial 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
On the Horizon

Other Budget & Fiscal Initiatives

- FY-2022 Budgets
  - Workday implementation-first load of budgets to WD
  - Partially restored FY-21 funding cuts. 7.5% reductions in core funds for FY-22.

- FY-2023 Budgets
  - Enrollment continues to trend down
  - New budget model (parallel)

- State Budget Process
  - 2022 Supplemental Budget – later this spring
  - 2023-25 Biennial Request – this summer

Questions