



WASHINGTON STATE
UNIVERSITY

WSU Budget Presentation

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Agenda

- Funding Sources
 - Fund Types
 - Expenditures
- Appropriation and Tuition Funding
 - State Budget
 - Tuition
- Budgetary Landscape

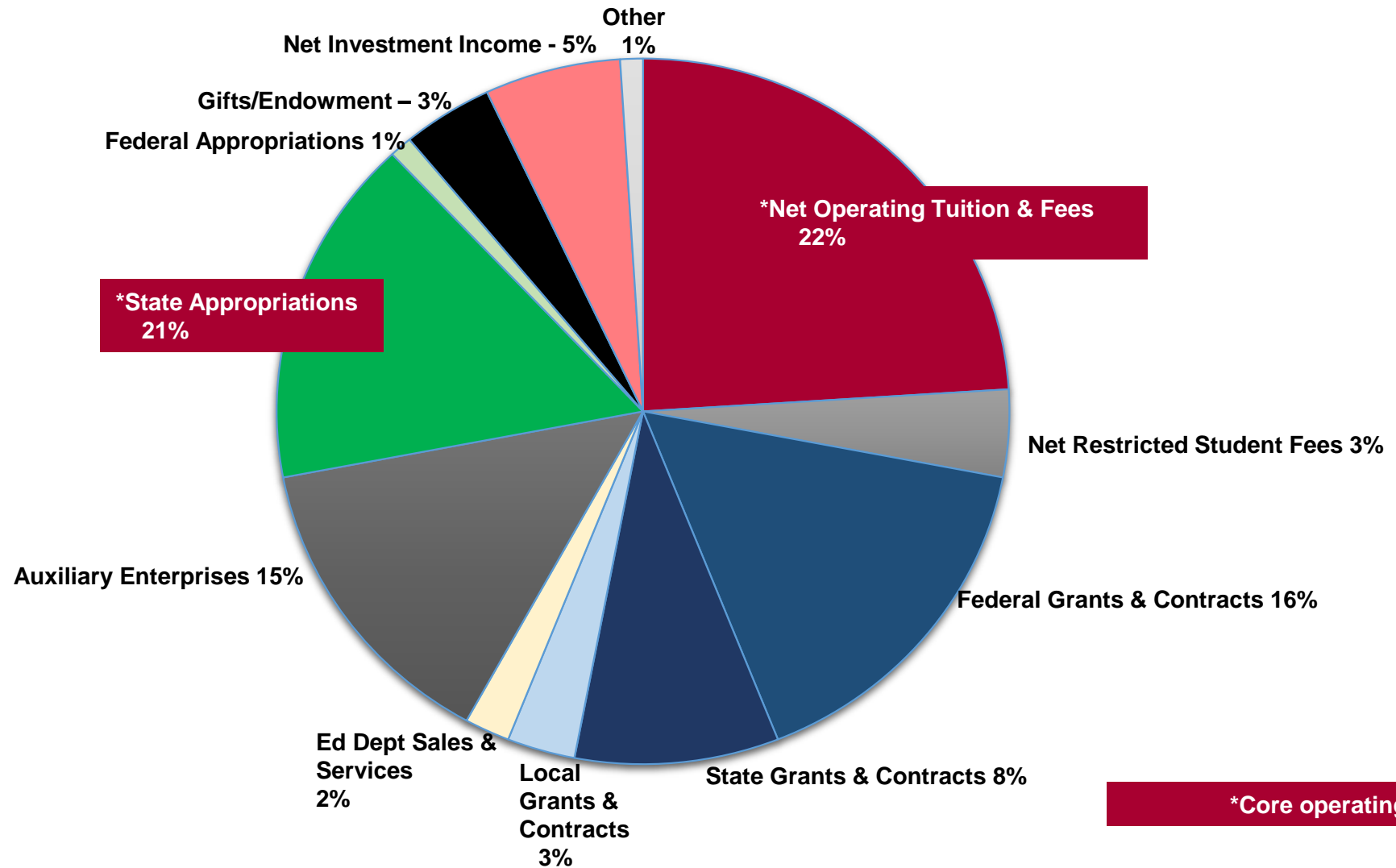


University Operating & Capital Budgets

- Operating & capital budgets are separately appropriated (can't spend one on the other)
- Operating pays for the day-to-day operations of the University and continues year to year at a base level.
- Capital is project based – funding ends when project ends (e.g. construction of a new building)
- The two budgets intersect when a new building is funded in the capital budget, and the maintenance and operations costs must be covered on an ongoing basis in the operating budget
- The presentation focuses on the operating budget

Annual Operating Sources

Fund Sources – Estimated Total: \$1.2 Billion

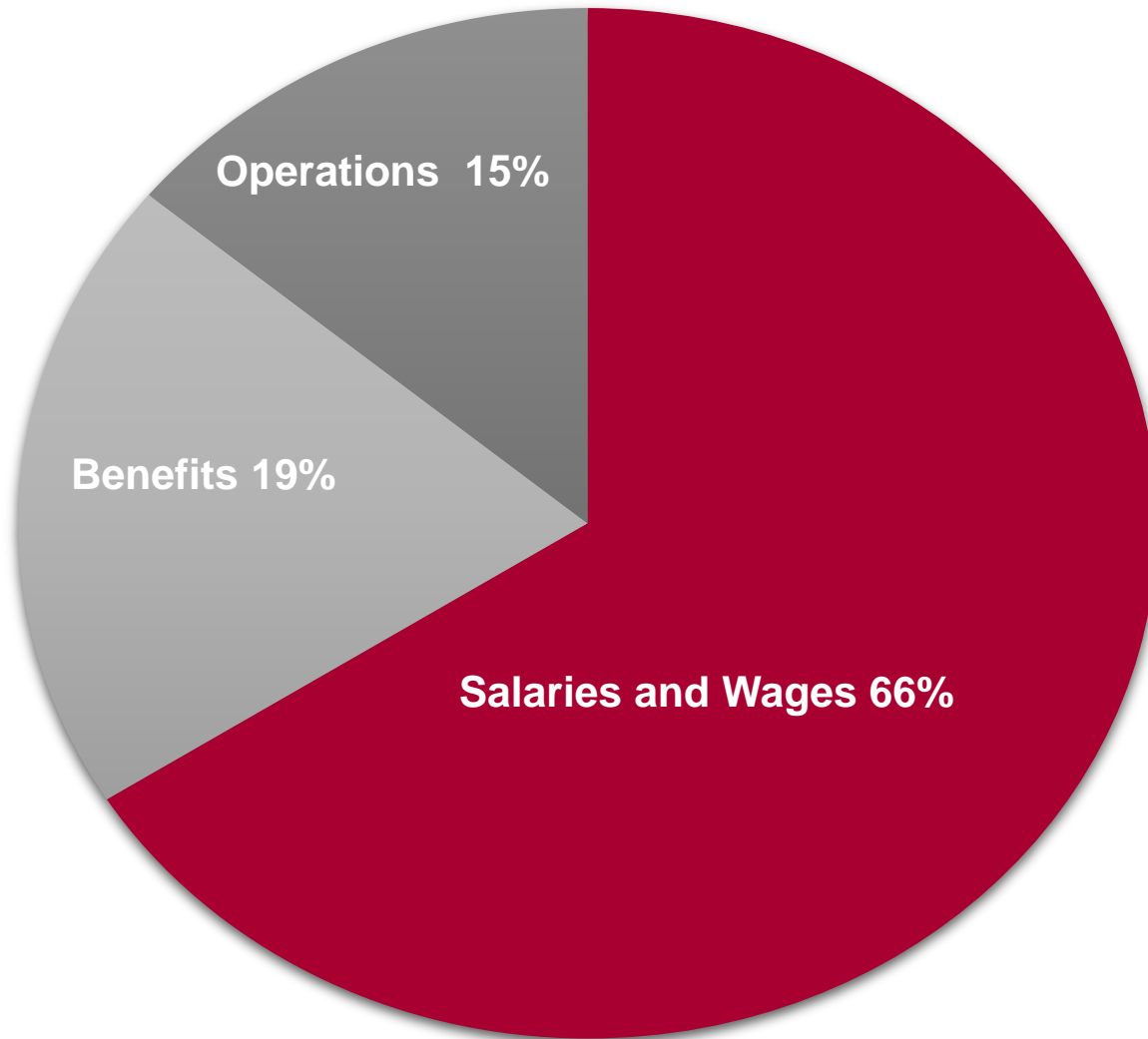


*Core operating funds





State Appropriation and Operating Tuition by Expense Type



85% of core funds are used to support salary and benefits for faculty, staff and graduate assistants

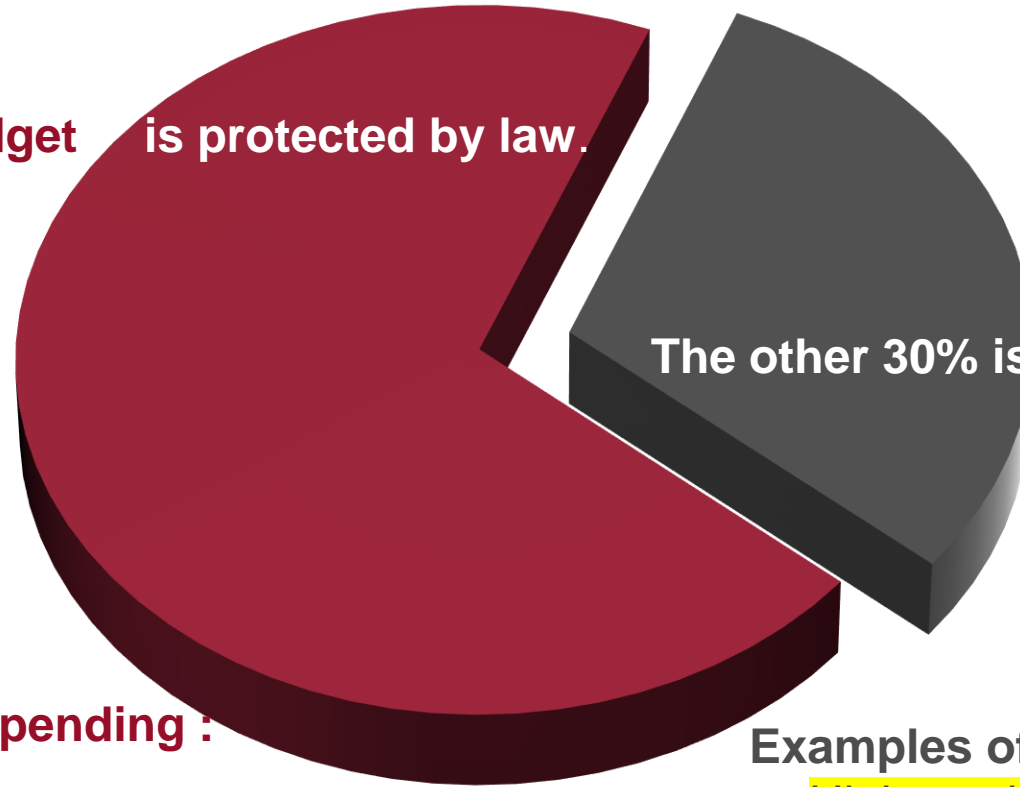


State Appropriation & Tuition Funding



Majority of the State Budget is **Mandatory** Spending

About 70% of the budget is protected by law.



The other 30% is for new items or reductions.

Examples of protected spending :

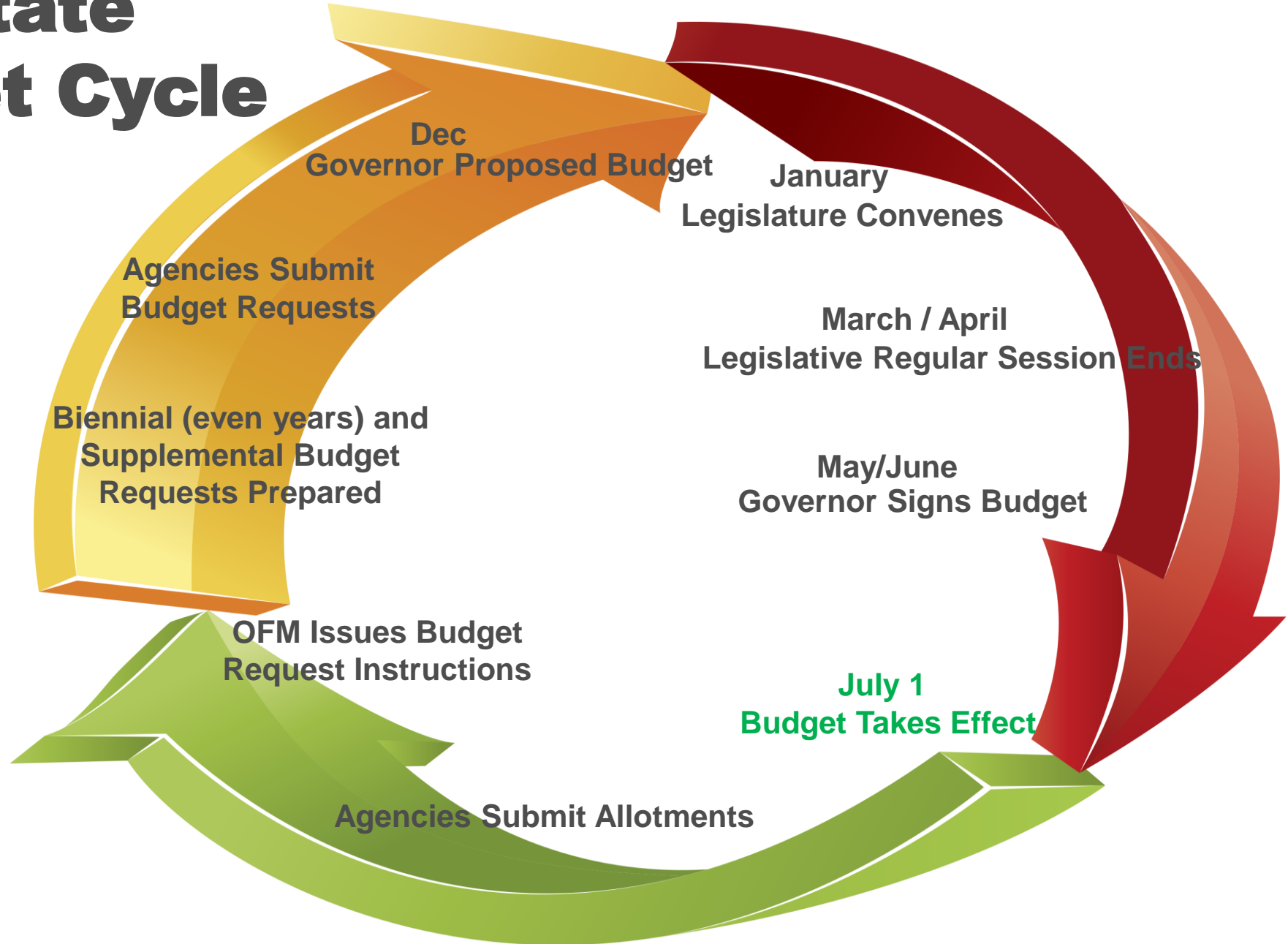
- K-12 basic education
- Debt service
- Some pension contributions
- Mandatory Medicaid
- Nursing Homes
- Constitutionally protected court activities
- Transfers to Budget Stabilization Account

Examples of **non-protected** spending:

- Higher education
- Corrections
- Many human services (including state-only funding health and care programs)
- Childcare and early learning
- Natural Resources
- Reserves



The State Budget Cycle





Fund Splits

State Funding for compensation and benefit cost increases:

- For Higher Education Institutions, the state splits funding for these obligations between new state appropriation and new tuition revenue. In the 2023-25 Biennial Budgets (to date) the split for WSU compensation increases is 66% appropriation and 34% tuition.
- To illustrate: Each \$1000 of new compensation cost due to salary increases would be funded through \$660 of new state appropriation, and an assumed \$340 of new tuition revenue next year.





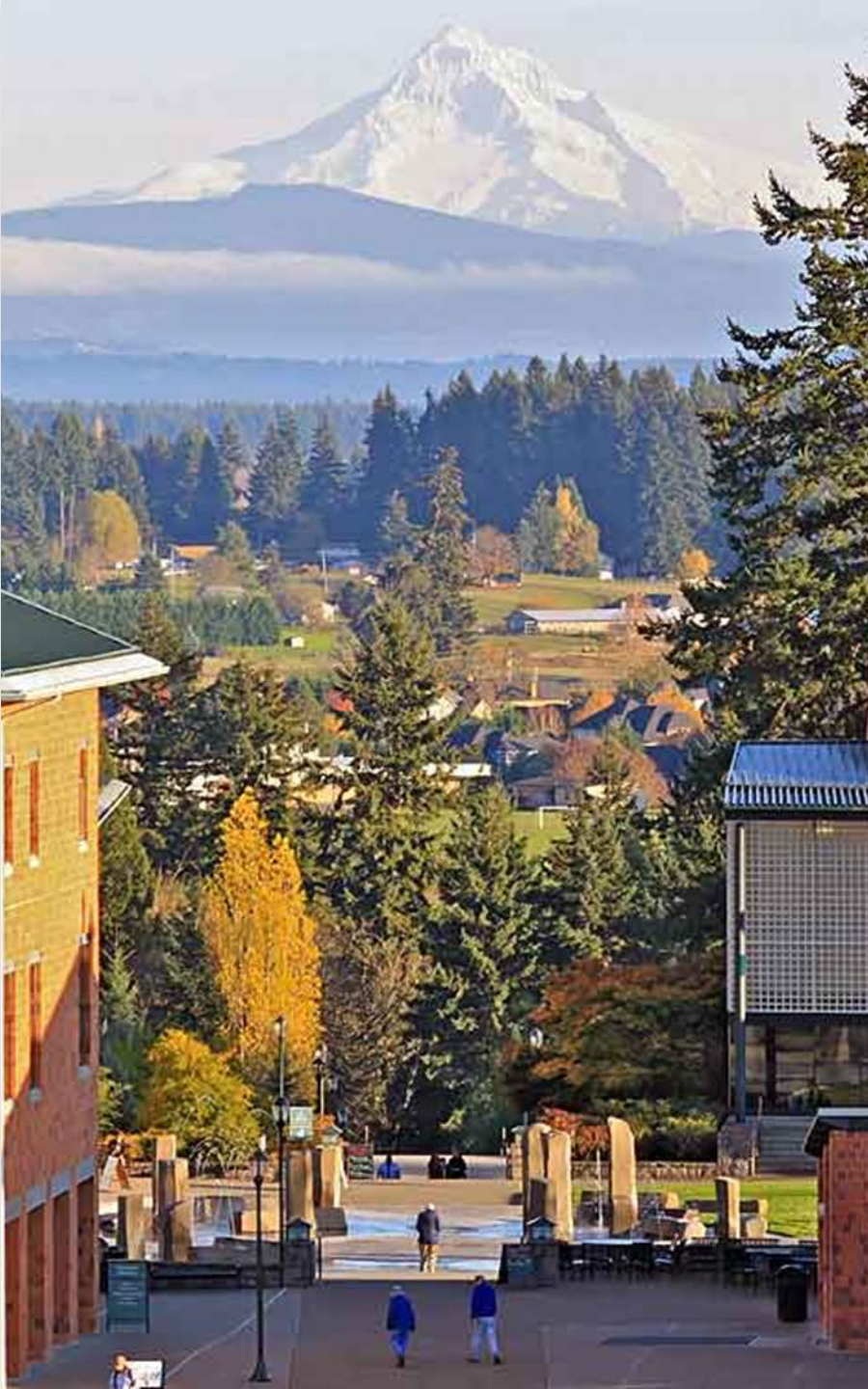
Fund Splits -2022 Supplemental Budget

COMPENSATION FUNDING - WSU 2022 SUPPLEMENTAL BUDGET

	<i>\$ thousand</i>
Cost of compensation increases	12,000
New Appropriations for salary increases	(7,500)
Amount assumed from new tuition	4,500

CALCULATION OF FUNDING SHORTFALL

	<i>\$ thousand</i>
Amount assumed from new tuition	4,500
Actual new tuition FY-2023	-
Funding shortfall	4,500

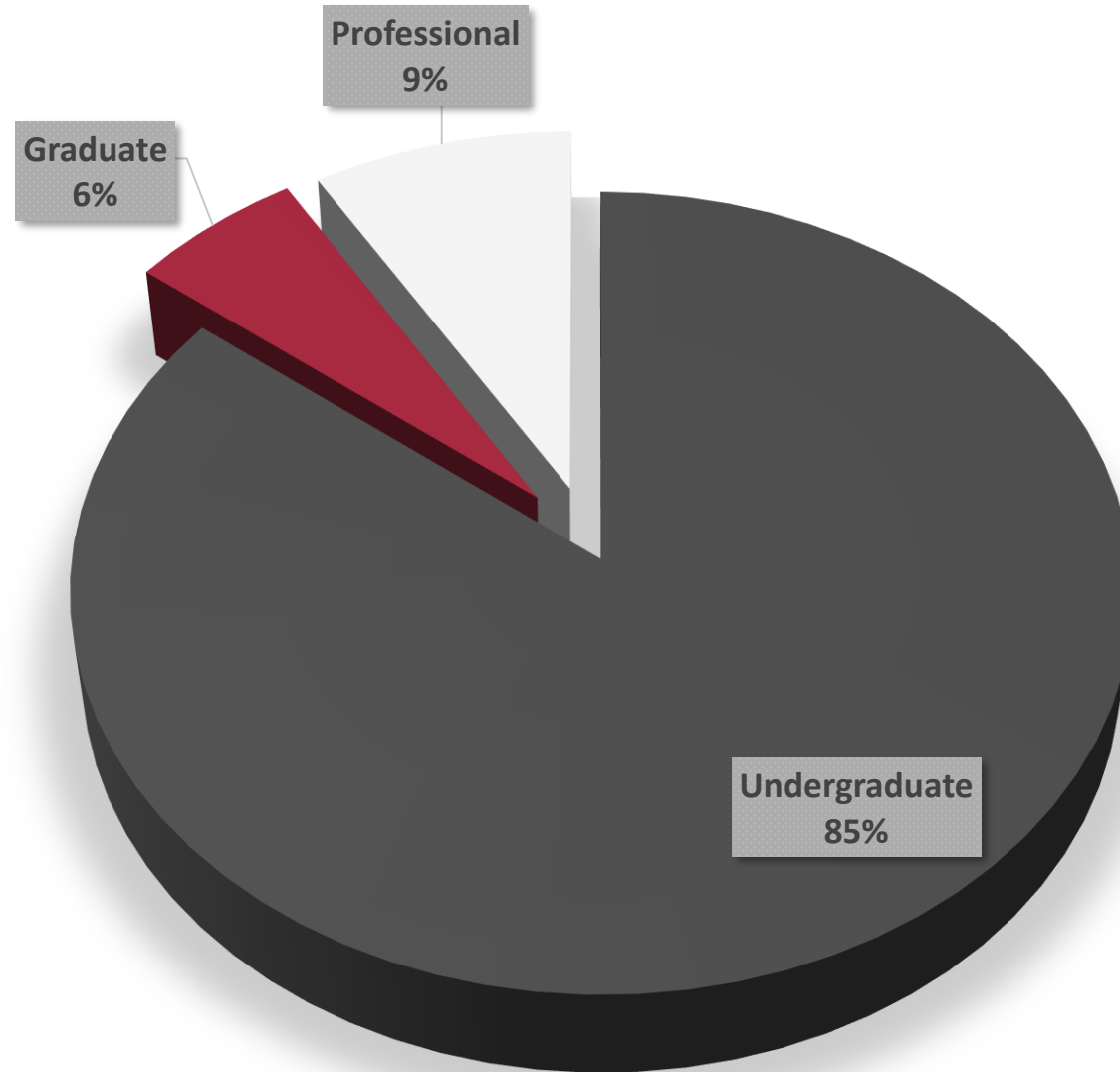


Fund Splits

State Assumptions about tuition:

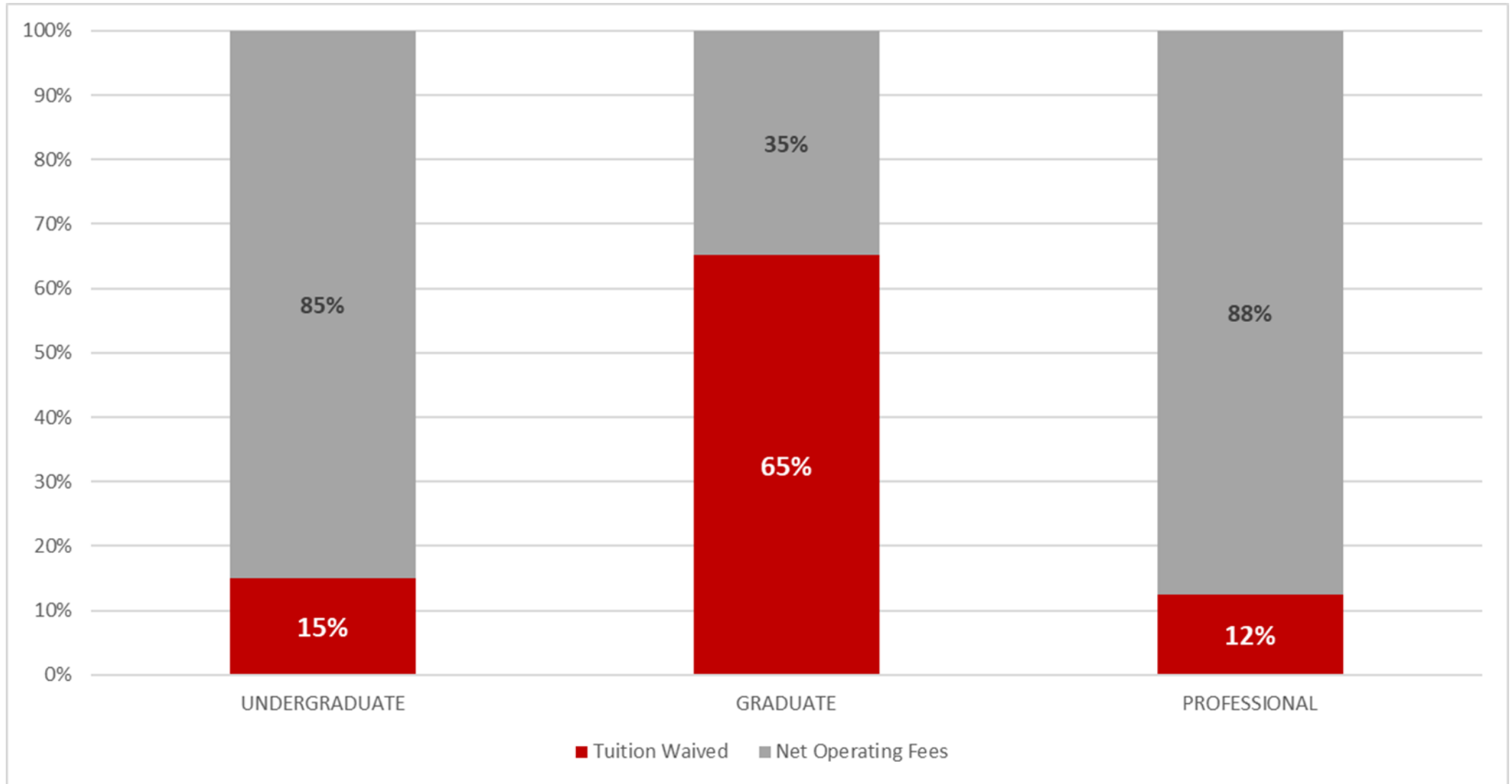
- The fund splits in the budget make assumptions about key drivers of tuition revenue:
 - Rate increases
 - Enrollment
- If **ACTUAL** rate increases and/or enrollment are lower, the assumed revenue is not realized, and WSU must find other means to fund salary and other cost increases, typically through budget cuts.

Net Operating Tuition by Student Category





Average Percent of Tuition Waived by Student Category





Tuition Setting Authority

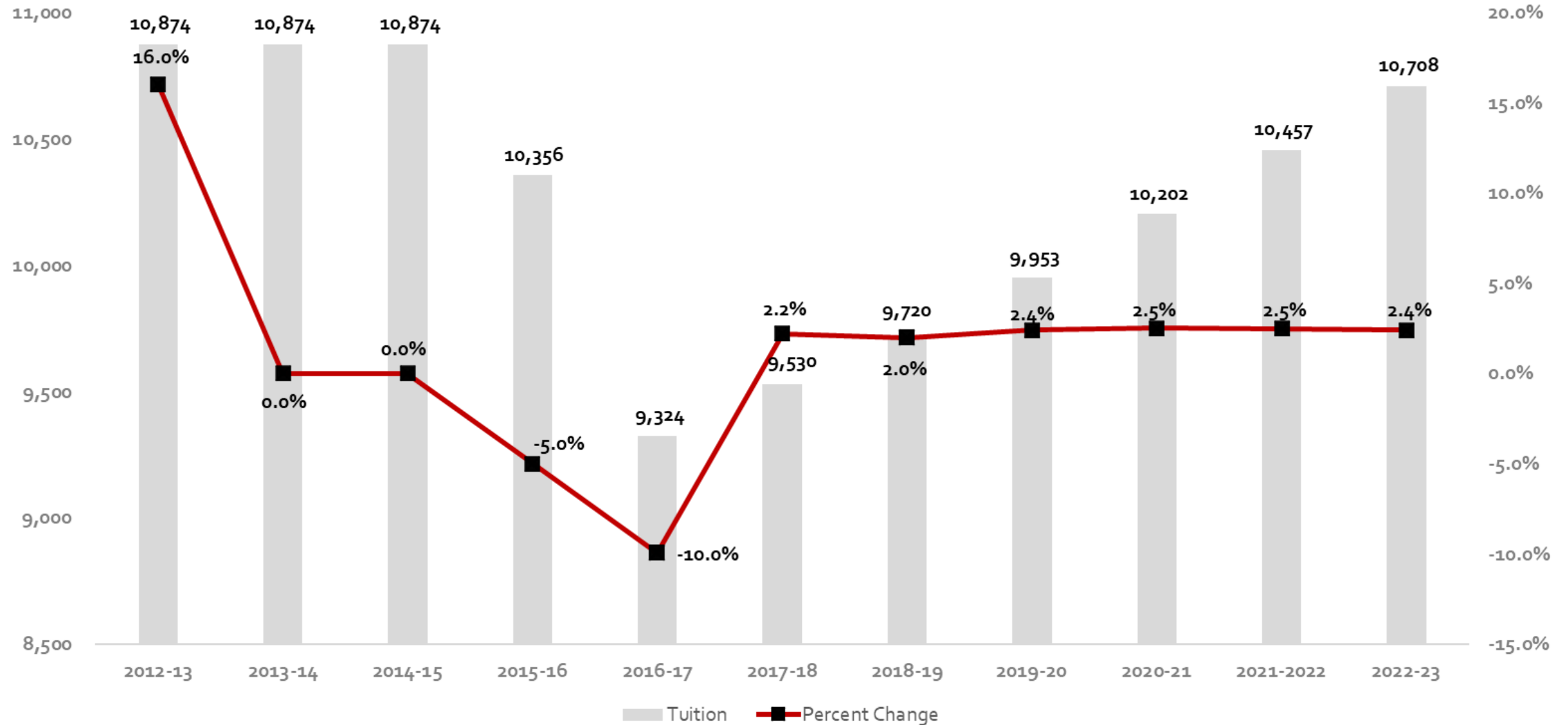
- Legislature sets the limit for Undergraduate Resident rate increases:
 - (current law) *RCW 28B.15.067: Tuition for resident undergraduates may increase by no more than the average annual percentage growth rate in the median hourly wage for Washington for the previous fourteen years as the wage is determined by the federal bureau of labor statistics.*
- WSU Board of Regents can set rates for all other categories of tuition without limit

Maximum Increase in Resident Undergraduate Tuition

Median Hourly Wage - Average Annual Growth		
Year	Median Hourly Wage	Annual Growth
2021	\$ 24.25	-2.3%
2020	\$ 24.81	12.5%
2019	\$ 22.06	1.7%
2018	\$ 21.69	1.4%
2017	\$ 21.38	0.7%
2016	\$ 21.24	1.3%
2015	\$ 20.97	6.1%
2014	\$ 19.76	0.5%
2013	\$ 19.67	1.0%
2012	\$ 19.47	0.9%
2011	\$ 19.30	2.9%
2010	\$ 18.76	2.1%
2009	\$ 18.37	2.5%
2008	\$ 17.92	3.0%
Average Annual Growth		2.4%

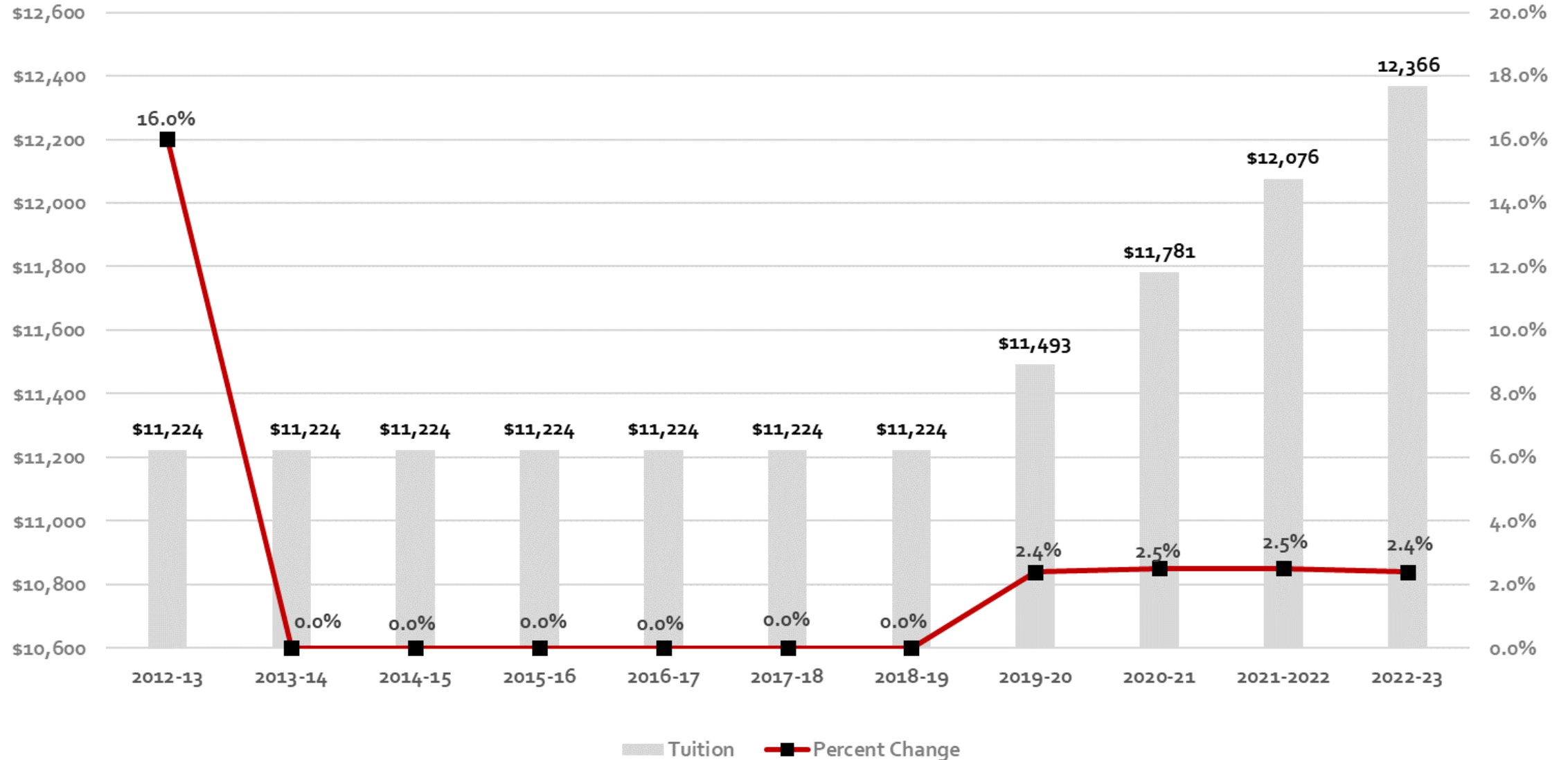
Resident Undergrad Rates

Academic Years 2012/13 – 2022/23



Resident Graduate Rates

Academic Years 2012/13 – 2022/23



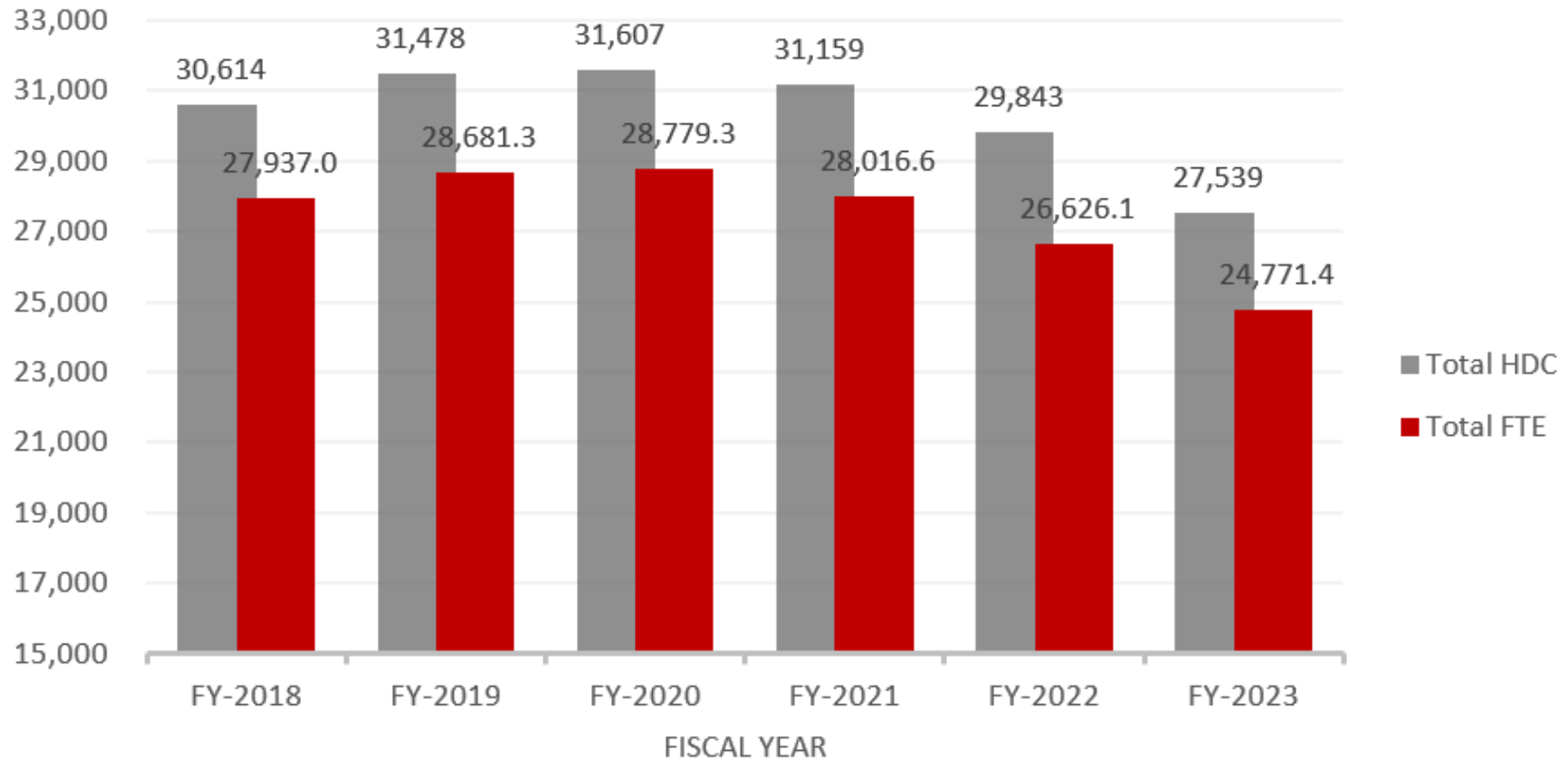
Enrollment

- A decline in birth rates after the great recession will result in up to a 15% drop in college age students after 2025.
 - “Enrollment cliff” dashboard:
<https://www.cupahr.org/issue/feature/higher-ed-enrollment-cliff/>
- Fall term of 2022 was the third consecutive year of declining enrollment for WSU. Enrollment is down over 4000 students (13.4%) since Fall of 2019.



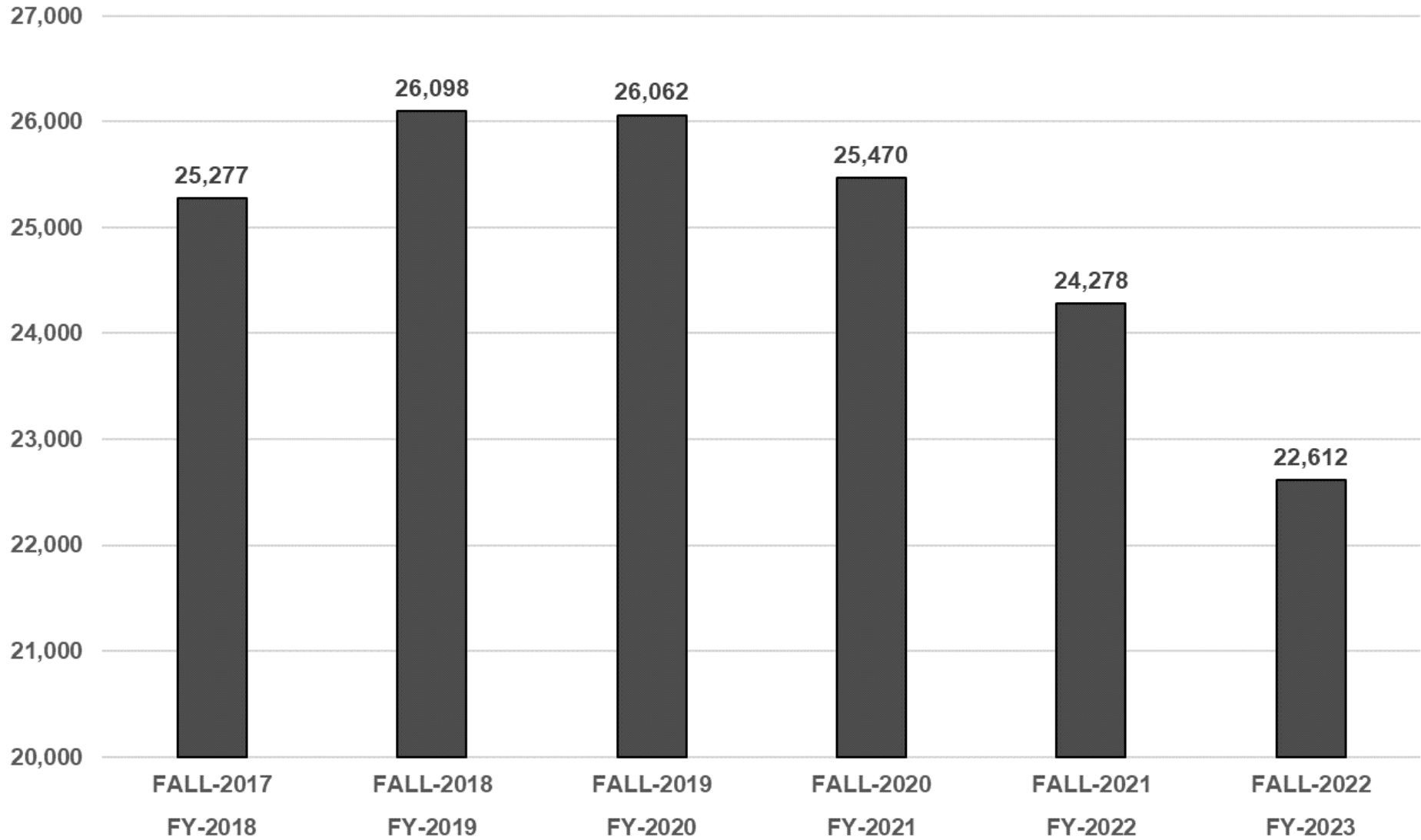


Total System Enrollment



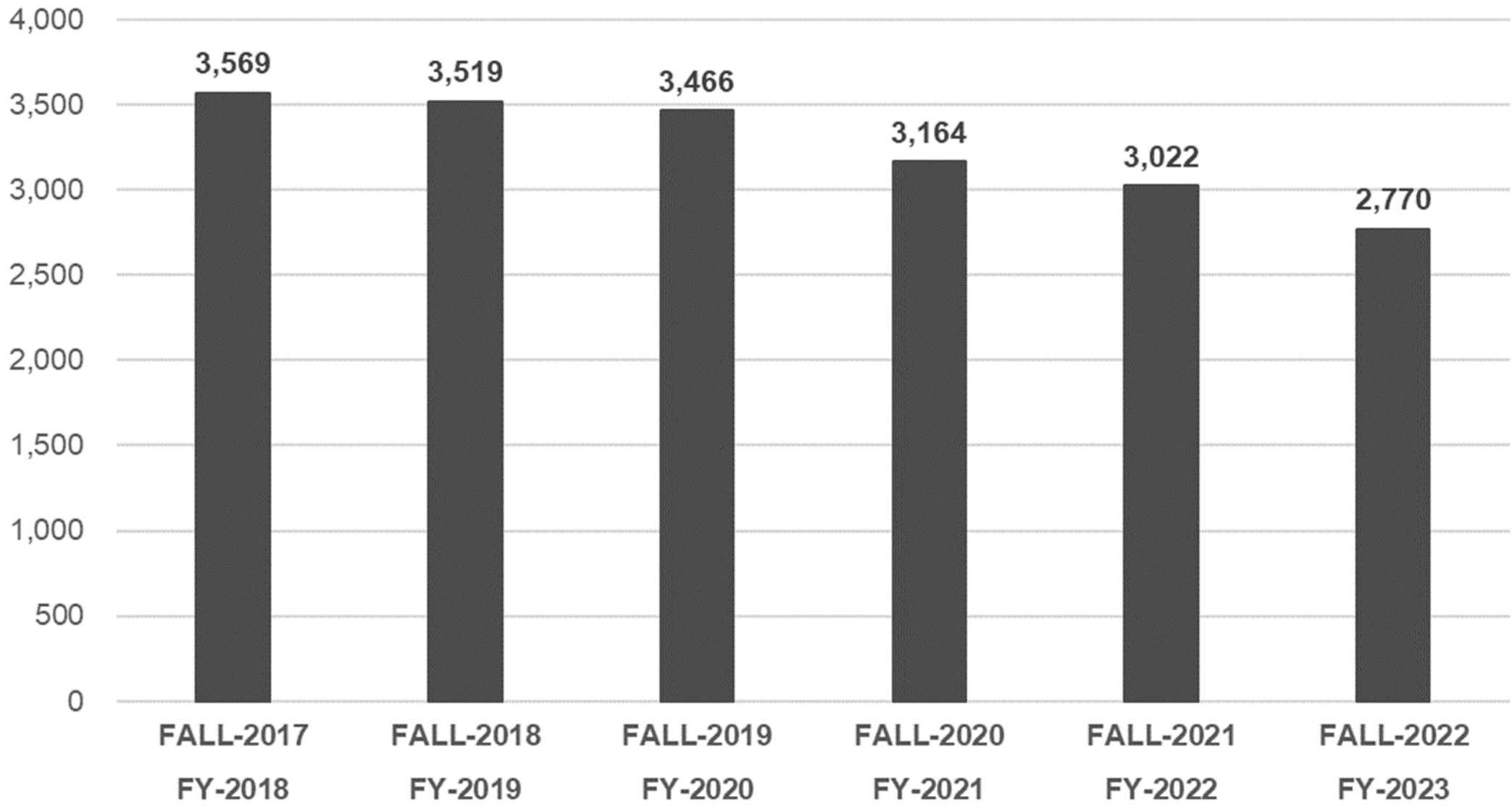
Third consecutive year of declining enrollment: Fall 2022 (FY-2023) enrollment is down over 4000 students (13.4%) since Fall 2019 (FY-2020).

Undergraduate - Actuals

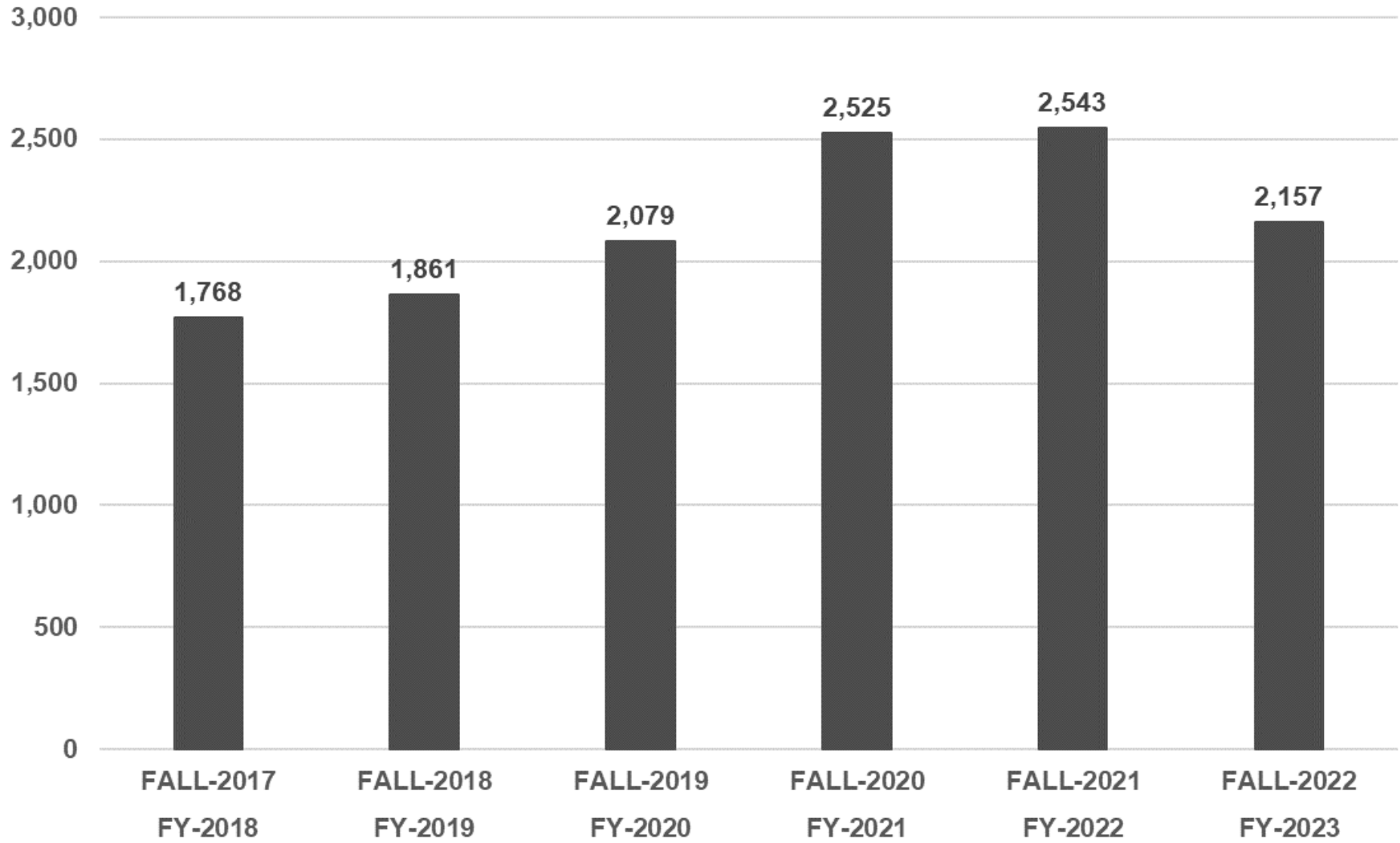




Graduate - Actuals



Professional – Actuals





Budgetary Landscape

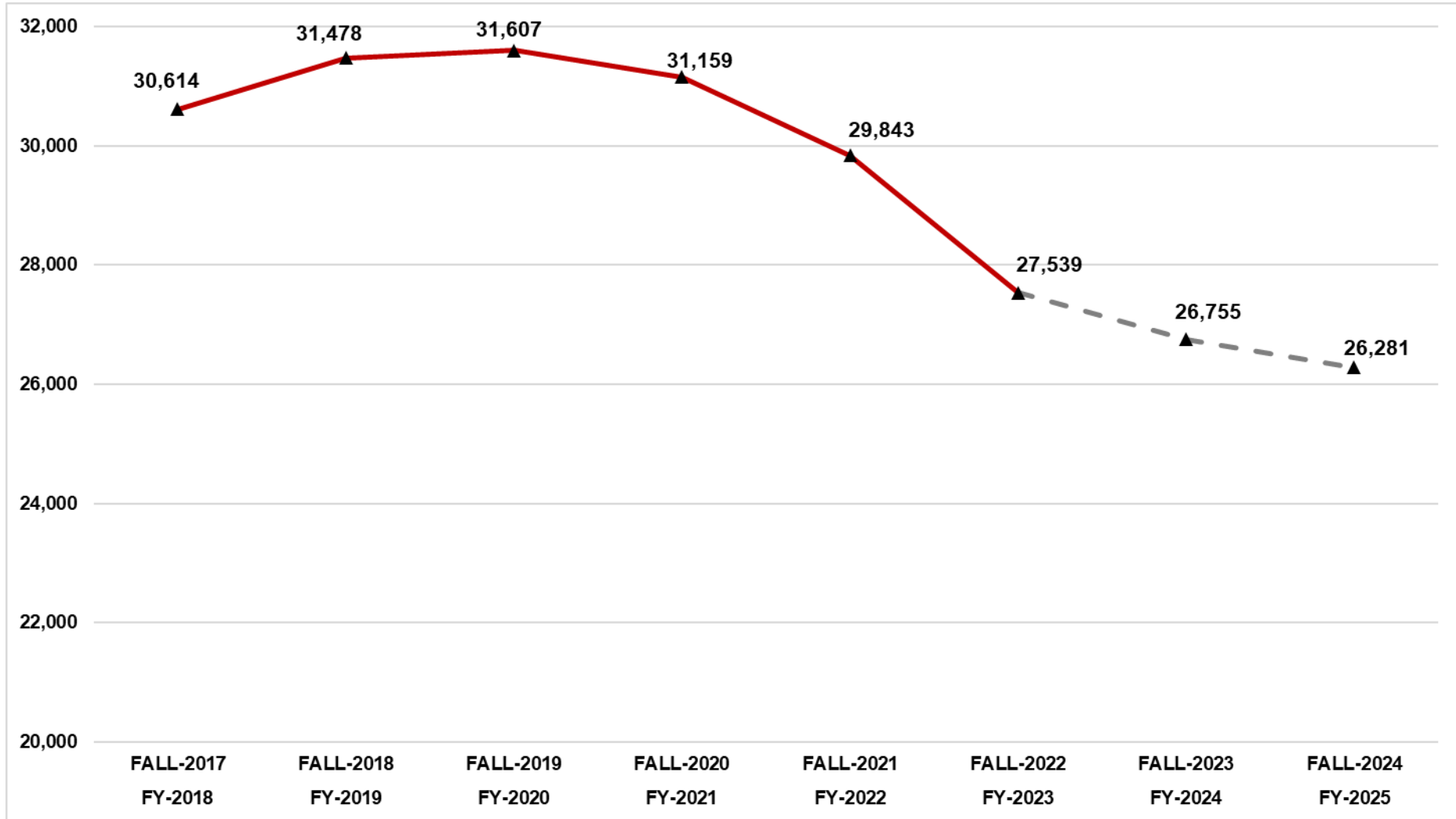


Budgetary Landscape

- At the onset of the pandemic WSU was given a state appropriation reduction target of \$37 million.
 - In response, **Unit budgets were cut 10% in FY-2021**
 - Two-thirds of the cut accomplished by not filling vacant positions/furlough/layoff/FTE reductions
- FY-2022, no reduction in state appropriation, but enrollment declines meant lower tuition revenues.
 - In response, **Unit budgets were cut 7.5% in FY-2022**
 - Majority of restored funding used to fill vacant positions
- FY-2023, (current year) continued revenue losses due to lower enrollments
 - In response, **Unit budgets were cut 5% in FY-2023**
 - Part of the cut funded 2.5% salary increases for faculty, exempt employees, and graduate students.



FY2024 Outlook: Enrollment

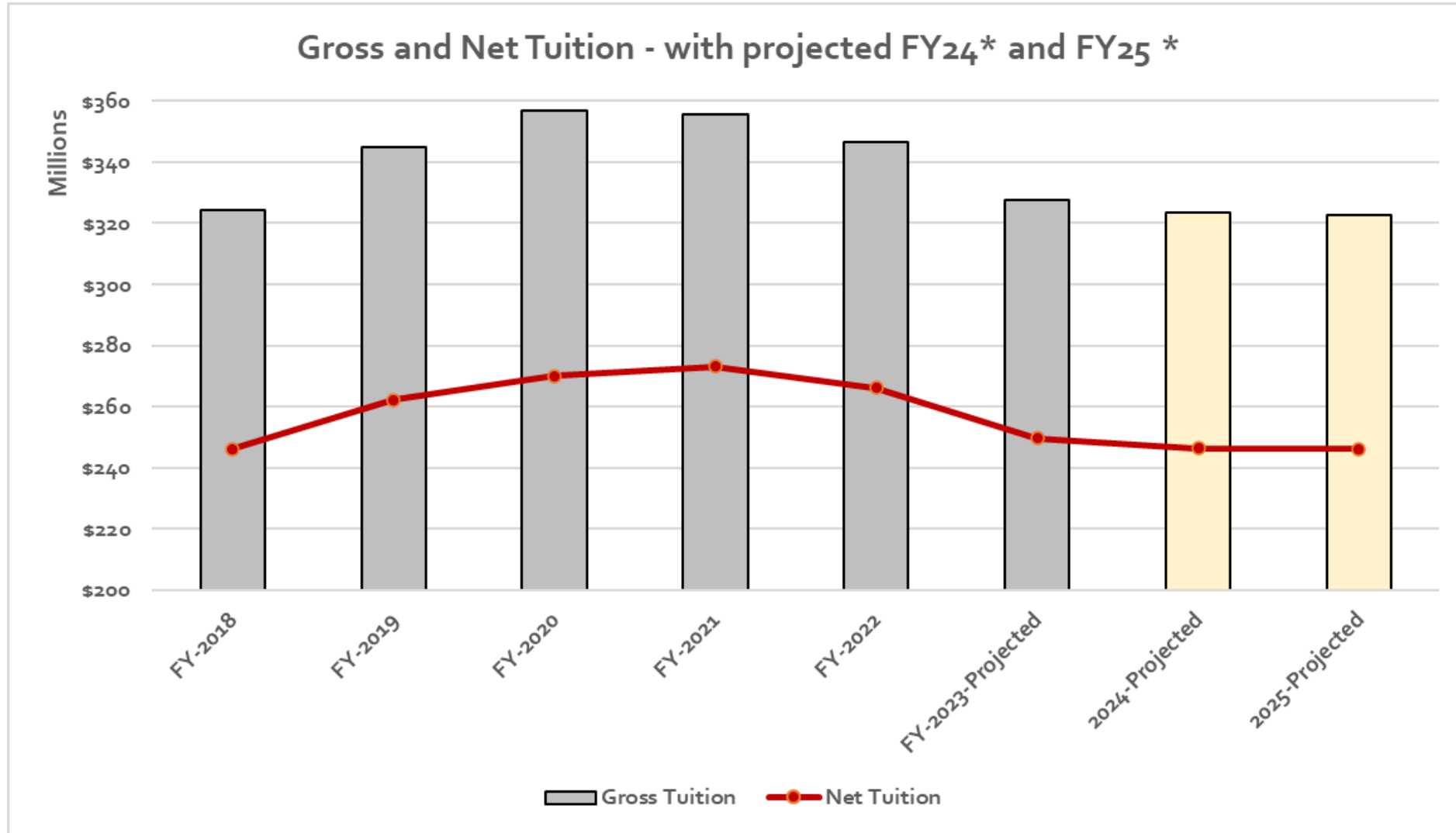


Enrollment is likely to continue to decline next year **assuming incoming classes are about the same as this fall.**

Estimates are between 4% and 6% drop next year and flattening of overall enrollment after that as the large classes of FY2018 and FY2019 graduate.



FY-2024 & FY-2025 Outlook - Tuition



*Assumes first time freshmen and transfers approximately equal to Fall 2022 and 2.5% tuition rate increases.

Budgetary Landscape

- Looking Forward to FY-2024
 - 6% budget reductions announced in January
- OFM will notify WSU of the maximum allowed tuition rate increase for resident UG students later this spring
- WSU Regents will approve tuition rates for AY 2023-24 at their upcoming May meeting
- Regular legislative session ends April 23
 - More will be known about state funding at that time





Discussion