FY21 Budget Planning Scenarios
Assumption and Mitigation Strategies
August 26, 2020

Introduction

We approach fiscal year 2021 with much uncertainty, and our planning process reflects that challenge. While we are now several months into the planning process, our budget situation remains extremely fluid. Final information on tuition revenues, state budget levels, and federal stimulus dollars are not yet available, but we do have a better sense of the range of possibilities. Updates in this version include using the FY21 continuation budget (rather than the FY20 budget) as a base for analysis. For example, faculty and pro staff compensation increases were a factor in the initial deficit in the prior version as well as a potential mitigation strategy. As those increases were not included in the continuation budget, they also came off the mitigation strategy section so as not to overstate the impact.

The following table outlines the major drivers for five budget planning scenarios, including divisional budget reductions and draws on institutional reserves. Clicking on the links for any line will bring you to greater detail about that item, below. These are scenarios, based on the best available information at this date, and each scenario reflects possibilities rather than decisions or fixed approaches. In practice, strategies can be turned on or off, increased or decreased, and each change would require other strategies to shift accordingly to balance the budget. These scenarios are meant to illustrate the relative impacts of various factors.

FY21 Budget Scenarios: Assumptions and Mitigation Strategies

	Scenario #1 - Best		Scenario #2 - Better		Scenario #3 - Mid		Scenario #4 - Bad		Scenario #5 - Worst	
Variable Assumptions										
NRUG Enrollment Decline (from increase of 50)	12.0%	($3,253,214)	12.0%	($3,253,214)	13.0%	($3,524,315)	14.0%	($3,795,416)	15.0%	($4,066,517)
RUG Enrollment Decline (from 2% decrease)	7.0%	($4,663,615)	8.0%	($5,329,845)	9.0%	($5,996,076)	10.0%	($6,662,306)	13.0%	($8,660,998)
State Budget Reduction	5.0%	($4,654,150)	10.0%	($9,308,300)	10.0%	($9,308,300)	12.0%	($11,169,960)	15.0%	($13,962,450)
Lower NRUG Tuition Rates	2.5%	($617,775)	2.5%	($617,775)	2.5%	($617,775)	2.5%	($617,775)	2.5%	($617,775)
Lower ASA Revenue	45.0%	($2,152,737)	45.0%	($2,152,737)	45.0%	($2,152,737)	45.0%	($2,152,737)	50.0%	($2,391,931)
Increased COVID-19 Costs	$2,000,000	$2,000,000	$2,500,000	$2,500,000	$3,500,000	$3,500,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000
-	-	-	-	-			-	-		-
New Investments	-	-	-	-			-	-		-
Academic Affairs Bridge Funding	-	$2,000,000		$2,000,000		$2,000,000		$0		$0
IT Operating Funding	-	$500,000		$500,000		$500,000		$500,000		$500,000
Other New Items	-	$0		$0		$0		$0		$0
	-	-	-	-			-	-		-
Deficit Before Mitigation Strategies		**($17,652,495)**		**($23,472,876)**		**($25,410,208)**		**($26,709,200)**		**($32,010,676)**
Response/Mitigation Strategies										
Reduce Tuition Buffer	0.0%	$0	50.0%	$700,530	50.0%	$700,530	50.0%	$700,530	75.0%	$1,050,794
Reduce Contingency Funds	0.0%	$0	50.0%	$634,338	50.0%	$634,338	50.0%	$634,338	75.0%	$951,506
Federal CARES Funding	100.0%	$3,700,000	100.0%	$3,700,000	100.0%	$3,700,000	100.0%	$3,700,000	100.0%	$3,700,000
Federal GEER Funding	50.0%	$2,725,000	50.0%	$2,725,000	50.0%	$2,725,000	50.0%	$2,725,000	50.0%	$2,725,000
Other Federal Funding	100.0%	$5,800,000	75.0%	$4,350,000	50.0%	$2,900,000	0.0%	$0	0.0%	$0
Reduce Inst. Funded Capital Projects	0.0%	$0	100.0%	$960,000	100.0%	$960,000	100.0%	$960,000	100.0%	$960,000
Additional RUG Tuition Rate Increase	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0
Budget Reductions	2.0%	$3,560,763	3.0%	$5,341,144	3.0%	$5,341,144	5.0%	$8,901,906	7.0%	$12,462,669
Ending Year (Deficit Funded with Institutional Reserves)		**($1,866,733)**		**($5,061,865)**		**($8,449,197)**		**($9,087,426)**		**($10,160,706)**

Assumptions

Enrollment Declines

Nationally, colleges and universities are projecting significant declines in Fall 2020 enrollment as a result of the coronavirus. As registration for fall quarter occurs throughout the summer, our understanding of the specific impacts at WWU is developing. A final figure for fall enrollment impacts will not be available until October, and projections may change based on winter and spring registrations. Our scenarios focus on changes to resident (RUG) and nonresident (NRUG) undergraduate tuition revenues, as the major drivers.

State Budget Cuts

State agencies have been directed to plan for a 15 percent budget reduction for FY21, based on a revenue projection for the state showing a roughly $9 billion decrease over the next biennium. The legislature is currently expected to take action on budget reductions in January 2021, after addressing revenue generation.

Lower Non-Resident Undergrad Tuition Rates

Western's FY19-21 approved biennial budget included a 5 percent increase for non-resident undergraduate tuition in FY21. Recognizing the disproportionate impact of the coronavirus on non-resident enrollment, the Board of Trustees approved reducing that to match the 2.5 percent resident increase. Tuition increases are driven by the legislature's approved budget for WWU, which is only partially funded with state resources; the remainder must be covered through tuition.

Lower Administrative Services Assessment Revenue

Western provides support services to our auxiliary and self-sustaining units through our state-funded operations. Those units pay for the indirect costs associated with their support through the Administrative Services Assessment, charged as a percentage of revenue. With substantial projected impacts to self-sustaining and auxiliary budgets as a result of the coronavirus, that indirect cost recovery will decrease.

Increased COVID-19 Costs

These are early estimates based on operational plans for FY21 and the best guidance available from state and federal agencies. We are working to match these expenses to external funding sources, such as the federal stimulus items below.

Preexisting Deficit

In addition to the new drivers described above, Western was entering FY21 with an operational deficit of approximately $4 million, reflected in the total Beginning Deficit amount but not broken out as a specific line item assumption.

New Investments

Academic Affairs Gap Bridge Funding

Our FY21 budget planning originally included using $2 million of institutional funding to bridge the preexisting deficit in Academic Affairs, providing more time to gradually bring the budget and operational expenses into alignment.

IT Operating

Our existing FY21 budget plan (from the biennial planning process) includes $500,000 to meet IT Operating needs.

Other New Items

This line is a placeholder for other new items that may emerge as priority funding areas.

Response/Mitigation Variables

Reduce Tuition Buffer

Western's practice is to budget 98 percent of projected tuition revenue, holding 2 percent as a buffer to offset unforeseen shifts and reduce the need for sudden budget changes mid-year. For FY20, the buffer was reduced to 1.4 percent. In the scenarios described above, reducing the buffer amount to 0.75 percent or 0.5 percent would mitigate reductions elsewhere in the budget.

Reduce Contingency Fund

The contingency fund exists to cover sudden, unforeseen, and emergency expenditures not planned for as part of the budget process. Such expenditures will still arise in FY21, so this strategy is a reduction rather than elimination.

CARES Funding

Western received $5.8 million in institutional funds from the CARES Act, and an additional $5.8 million in direct student aid. Of the institutional share, $2.1 million was used in FY20: $600,000 to support the transition to online course delivery through faculty workshops and technology investments and $1.5 million towards payroll expenses for faculty who were teaching online in Spring, a strategy chosen to create the maximum flexibility in institutional resources going into FY21. The remaining $3.7 million may be applied to either Western's state budget (as shown in the scenarios above) or to self-sustaining and auxiliary operations.

GEER Funding

The CARES Act also authorized the Governor's Emergency Education Relief (GEER) Fund, awarded to governors to be distributed among educational providers in their states at their discretion. The state Office of Financial Management recently awarded $5.4 million to WWU. As with CARES funding, there are some requirements and restrictions and the funding may be applied to either state or self-sustaining and auxiliary areas. While the scenarios included show a split distribution, both CARES and GEER funding could be allocated differently.

Other Federal Funding

At the federal level, action on a second stimulus/COVID relief package is likely. As of this week, the most conservative option under consideration includes significant investment in higher education. Parameters for the use of funds under any additional stimulus are not known at this time, including the amount available for institutional support and restrictions on how institutions apply the funds. Western is also pursuing reimbursement from FEMA for eligible expenses.

Reduce Institutionally Funded Capital Projects

Western has made strategic investments in key capital projects through institutional funds. That institutional investment could be eliminated or deferred for FY21.

Additional Resident Undergraduate Tuition Increase

During the recession, Washington offset state funding reductions with tuition increases, transferring costs of higher education from the state to families. Those tuition increases were later "bought back" by the state. No such tuition increases are currently under discussion, and this item is included for comparison to prior approaches only.

Budget Reductions

Our initial planning targets for divisions was 10 percent reduction level, based on the earlier version of our “worse” case scenario. At this stage, the range now is between 2 and 7 percent. Divisional planning has been guided by the budget planning principles document. Informed by this divisional planning work, VPs and Deans will draft a university-level approach in early September, for review by shared governance and the Western community.

Institutional Reserves

Western entered FY21 with approximately $18-20 million in uncommitted institutional reserves. Current projections are that this will be a multi-year impact in both state funding and enrollment, requiring a healthy reserve level to help mitigate future reductions. Note that institutional reserves can only be used once: that is, the hole they fill this year will be there again next year, with fewer resources to apply against it.