

## FY21 Continuation Operating Budget Recommendations May 28, 2020

Our understanding of the social and economic impacts of COVID-19 is evolving quickly; we know, for instance, that enrollments and auxiliaries will be impacted and that the State of Washington is facing a potential \$7 billion revenue loss. We know that adapting our operations for fall will come with new costs. We also know that the FY21 budget plan will need to respond to new information, and that we're unlikely to have certainty in that information until fall of 2020. The urgency and severity of these conditions require us to adapt our budget planning processes for FY21, while honoring our commitments to shared governance and engagement. President Randhawa outlined this approach in a [May 19 communication](#) to the WWU community.

The first step in adjusting our FY21 budget to meet these challenges is to put a preliminary, or continuation budget in place so that operations can continue in parallel with planning. This recommendation is for the continuation budget only, and will be replaced by a final budget recommendation in October 2020 after thorough consultation with shared governance and the university community.

Feedback and questions on the continuation budget are best shared through the [Budget Forum](#) so that all can engage in discussion regarding the proposed budget. Staff members in Budget and Financial Planning are monitoring the forum and will offer clarifications to questions. We will be following that forum in order to benefit from the discussion. Other avenues exist for providing input, including our governance structures.

As more information becomes available this summer, those at Western with operational responsibility for budget development will be coordinating the next stages of [FY21 budget planning](#). This work includes preparing a process, principles/guidelines, communications, engagement, consultation and implementation- with proper oversight and involvement of the President, Vice Presidents, Deans and shared governance through the University Planning and Resource Council (UPRC).

In keeping with Western's values, this process will require robust communication and engagement. Recognizing that much of the initial work will need to happen during the summer, a [consultation group](#) comprised of faculty, staff, and student leadership will engage in two-way communications on the budget environment, guiding principles, engagement plans, and other related topics. Review and comment on the budget itself will remain with UPRC and the Budget Forum, once fall quarter commences. Updates will be shared on the Budget and Financial Planning [website](#) as they become available.

This work will inform development of a final FY21 budget for university review in September, to be presented to the Board of Trustees for approval at their October 2020 meeting.

The following continuation budget recommendations come from the vice presidents and the president.

### **Budget Summary**

Since the Governor signed the FY21 budget into law, initial estimates have projected a \$7 billion impact to state revenues over the current and next biennium, and state agencies have been asked to plan for a 15 percent reduction to FY21 budgets. Enrollment impacts for FY21 are as yet unknown. These uncertainties dictate a preliminary or continuation budget approach for the start of FY21, with a final budget in October.

- This continuation budget takes the fiscal year [2020 budget](#) as a starting point, with three changes, detailed below. Additional items from the FY21 budget plan will be frozen until a final budget is approved in October.
- Western Washington University's FY20 (2019-20) budget was approximately \$190.3 million. In addition to that starting point, the continuation budget proposal includes \$0.8 million in new state funding to lower tuition rates at Western on the Peninsulas, a 2.5 percent tuition increase, and \$1.2 million for collectively bargained and legislatively approved compensation increases for classified staff.

### **Tuition**

State policy makers pass an expenditure budget, including new items such as compensation, which is only partially funded by state appropriations; the remainder must come through tuition revenue increases funded by rate adjustments. Executing the budget as signed into law requires the proposed tuition rate increase. In short, Western's tuition rates are determined in large part by the legislature.

Recognizing that the uncertainty and economic challenges of COVID-19 are shared by Western's students and families, our tuition recommendation comes with a dual commitment: to increase student aid in the form of grants, which do not need to be repaid, and to accelerate investments in educational support and technology, including computers and internet access for students in need.

In accordance with the College Affordability Act of 2015, the University may raise *resident undergraduate (RUG) tuition operating fees* by the average annual percentage growth rate in the median hourly wage for Washington for the previous 14 years as determined by the federal bureau of labor statistics. For fiscal year 2020-21 this average rate is 2.5 percent, and it is our recommendation to raise RUG tuition by 2.5 percent as required to fund the budget.

Tuition rates for *nonresident undergraduate (NRUG)*, *resident graduate (RG)*, and *nonresident graduate (NRG)* students are set by the Board of Trustees after analyses of market constraints

of supply and demand and comparison costing with our peers. The fiscal year 2021 budget plan approved through the biennial budget process had included a 5.0 and 4.5 percent increase in these categories, respectively. We recommend interrupting the previously adopted plan on non-resident tuition due to the coronavirus, setting it at the lower 2.5 percent increase level required to fund the approved budget.

This tuition approach is based on current operational plans for fall quarter, and may be revisited if conditions change substantially.

#### Western on the Peninsulas Tuition

The 2020 supplemental budget operating bill passed by the legislature this spring and signed into law by Governor Inslee included \$886,000 per year for WWU to reduce tuition rates for WotP students. Our recommendation is to include those funds in this continuation budget so that they can be implemented and benefit students immediately.

#### Collectively Bargained and Legislatively Approved Compensation Increases

WWU's collective bargaining agreement with classified staff includes a three percent increase for fiscal year 2021, as approved by the legislature. That increase equates to \$1,190,808.

#### Process

Preparing Western's fiscal year operating budget is an iterative, multi-year process that takes more than a year to complete. In 2017, planning units began the process by submitting proposals for possible inclusion in the 2019-21 budget request to the state. After an open review process, involving the broadly representative UPRC, the [2019-21 budget request](#) was approved by our Board of Trustees in August 2018 and submitted to the state in September. Governor Inslee then considered the proposal in his state budget proposal last December. The legislature released a compromise budget before concluding the regular session on April 28, 2019.

The 2020 supplemental session concluded in mid-March, and Governor Inslee signed the supplemental operating budget into law in early April. Key outcomes from this session included \$886,000 per year in new funding for the reduction of tuition rates for four-year degree programs offered at WWU on the Peninsulas, which was among the few additions not vetoed as a means to achieve savings for the state's COVID-19 response. The Legislative Affairs blog can be found [here](#) for those wanting more background on the process.

State revenue collections are expected to fall sharply this year due to the significant economic impacts of the coronavirus response. The next official state revenue forecast is scheduled for June 17<sup>th</sup>, but an earlier unofficial estimate has identified a \$7 billion impact to state revenues. A special session to take further action on the FY21 budget is expected this summer. The outcome of this special session, as well as enrollment levels for fall quarter 2020, will dictate the final budget proposal in October.