

2019-21 Operating Budget Recommendations May 22, 2019

The following budget recommendations come from the vice presidents based on consultations with the deans and the president.

Key Takeaways

- Western Washington University's FY20 (2019-20) projected budget is approximately \$190.3 million compared to FY19 starting annual budget of \$178.6 million. The major year-to-year difference in budgets is approximately \$5.8 million in faculty and staff compensation in FY20, and \$0.73 million in new tenure-track faculty lines authorized in 2018.
- Addressing historical operational budget gaps, advancing our strategic plan priorities and building programs beyond the targeted programs funded by the legislature will require increasing our revenue base through controlled enrollment increase and mix, and exploring new revenue sources. At the same time, our budget approach needs to balance addressing historical budget gaps and new investments to advance our aspirations.
- Compared to the last two fiscal years where the University committed to significant new investments in tenure-track faculty positions, critical positions to advance diversity and equity, and infrastructure projects, new investments in FY20 are limited to ensuring that we continue to shape and meet enrollment targets, advance student retention, and address teaching assistant stipends. Additionally, the budget provides funds to start addressing the historical budget gap in Academic Affairs and Information Technology.
- Overall, the financial health of the University remains solid, with a FY19 projected uncommitted reserve balance of 10.1 percent, consistent with the Board of Trustees expectation of maintaining institutional fund balances at or above 10 percent to ensure the financial sustainability of the mission, programs, and ongoing operations of the University. As additional investments are made and since the nominal reserve requirement grows as the operations budget increases with compensation increases, in FY21 reserves are projected to drop to \$17 million or 9 percent. However, investments made are expected to produce additional revenue to replenish reserves in FY23 (see chart [here](#)).

Budget Summary

Western Washington University's FY20 (2019-20) projected budget is approximately \$190.3 million compared to FY19 starting annual budget of \$178.6 million. The major year-to-year

difference in budgets is approximately \$5.8 million in faculty and staff compensation in FY20 and \$0.73 million in new tenure-track faculty lines authorized in 2018.

The resource modeling work has provided the institution with an opportunity to more deeply analyze budgets for each of the major divisions. While the resource modeling process is not yet complete, it should come as no surprise that the base budgets across the institution have been under-funded since the budget cuts from the great recession in 2008-09. While we are appreciative of funding provided by the legislature, particularly in the recently completed legislative session which fully funds the Washington College Grant (formerly known as the State Need Grant), and for compensation and a set of targeted initiatives, there hasn't been sufficient investment in higher education base budgets to offset the deep recession-time cuts and inflationary cost pressures.

In particular, expenditures in Academic Affairs have exceeded allocated budgets annually since 2014-15. While Academic Affairs has addressed this structural gap through use of fund balances and other one-time revenues, clearly this is an unsustainable situation. It is important that we effectively start addressing this structural gap in Academic Affairs. The FY20 budget recognizes this need and starts to provide funds to address this gap in Academic Affairs and Information Technology. At the same time, the Provost and Vice President for Academic Affairs has initiated work with the Council of Deans to ensure that we fully understand the academic and budget drivers and they are appropriately aligned, going forward.

The University made significant investments in the past two years in a number of new areas, including:

- New tenure-track faculty positions
- New positions important to advance diversity and equity (e.g. LGBTQ+ Director, Tribal Liaison, Title IX Officer)
- Important infrastructure projects (e.g. anatomy/physiology labs in the Carver Academic Facility, chemistry labs, new Disability Access Center, and a University contribution to the student-funded Multicultural Center)

The FY20 budget begins shifting funds to address historical operational gaps (as stated above), with the goal of a more balanced approach between investments and gaps over the longer term. However, the FY20 budget also provides new funding in a number of important areas to:

- Meet institutional enrollment goals: In the context of limited state support for the core operational budget of the University, it is imperative that the University sustains strong enrollments and shapes enrollment mix to effectively serve the high-quality academic mission of the University.
- Increase student retention: Continued progress on increasing student retention is equally critical, and the FY20 budget provides funding to scale successful retention practices.

- Address Teaching Assistant (TA) Stipends: TA stipends have lagged behind market and our peer institutions. FY20 starts a process for providing this much-needed adjustment in TA stipends.

The Provost will authorize a limited number of faculty positions for the targeted initiatives funded by the legislature. We will also take advantage of a unique opportunity to admit a larger and more diverse cohort of exceptional students to the Honors Program, which will require funding to offer additional course sections, as needed.

An important part of the historical budget process at Western is the new budget requests proposed by academic and support units. The University acknowledges and appreciates the work that went into developing those proposals, as well as the time and effort invested by members of the [University Planning and Resources Council](#) (UPRC) in reviewing the proposals. While we were able to partially address some items that the UPRC had identified as critical and/or strategically important (specifically the TA stipend issue, IT infrastructure, and the student retention practices reflected in the FIG proposal), the funding needs and situations described above placed significant constraints on the FY20 budget and its ability to fund other new proposals, especially given our revenue projections for the start of the fiscal year. As always, the fact that we couldn't fund proposals is not necessarily an indication that they are not important or don't align with the University's strategic priorities. Simply put, proposals far exceeded the limited funding available.

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 started the session on January 14, 2019, and both the House and the Senate put forward their own state budget proposals. On April 27, the legislature released a compromise budget before concluding the regular session on April 28, 2019. A comparison of the different budget proposals is summarized [here](#). We wish to thank all the Western people and organizations who worked together on our legislative priorities. The Legislative Affairs blog can be found [here](#) for those wanting more background on the process.

Throughout this past fall and winter, planning units also developed internal budget proposals that, while they may not have met the [state decision package criteria](#), are important to the departments and divisions within Western. These proposals were submitted and discussed by UPRC, [audiocast](#) for those not able to attend, and a comment [forum](#) was provided to the

University for feedback on the proposals. As we awaited a compromise budget out of Olympia, the vice presidents and deans began a series of meetings to prepare this recommendation, relying on the feedback received from UPRC and the University community.

Once Governor Inslee signed the compromise budget, we were able to quickly finalize the recommendations that are now offered for review and feedback from the University prior to being submitted to the Board of Trustees on June 14th for final approval.

Next Steps

Comments, critiques and suggestions for improvements are now being sought through **May 31**.

Feedback and questions are best shared through the [Budget Forum](#) so that all can engage in discussion regarding the proposed budget. Staff members in the Budget Office 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.

Our presentation of recommendations is designed to meet the needs of those with varying interest in details. We begin with a table of “Sources and Uses” showing individual items of revenue and expenditures. From that table, one may follow the hyperlink, which provides more information on each item.

Since the state operates on a biennial budget timeline, the presentation spans both FY19-20 and FY20-21. The Board, however, will be asked to approve the budget for the first year of the biennium, FY19-20. The budget “plan” for the second year of the biennium (FY20-21) will be reviewed and evaluated further next year before going to the Board for final action. Please know that, although not shown in this presentation, we looked beyond the current year to make sure no commitments proposed here would become budgetary gaps in the future.

President Randhawa will finalize his recommendations for FY19-20 to be shared with the Board of Trustees the first week in June, in preparation for action by the Board at the June meeting.

Sources and Uses

Rather than a line-item budget, we use the format of “Sources and Uses” to more clearly focus on the changes being proposed. We assume status quo revenues and expenditures, and then incrementally reflect how new revenues (Sources) and expenditures (Uses) affect our proposed operating budget.

Our focus on the operating budget is for recurring, base-budgeted tuition and state appropriations. To understand the Sources and Uses table, you do need to understand that the column for 2019-20 shows an ongoing (aka permanent, recurring, base) budget allocation; anything in the 2020-21 column would be an amount *in addition* to that ongoing allocation. To illustrate, if the proposal is to expend \$1 million in 2019-20 and the 2020-21 column has

\$500,000 showing, that means year one budget is \$1 million, year two budget is \$1.5 million (and the biennial total is \$2.5 million).

Sources and Uses Table

	FY19-20	FY20-21	19-21 Total
Sources			
<u>Internal Funding</u>			
Items Recommended and Decided subsequent to May 2018	826,074		1,652,148
Tuition Increases (FY19= 2.4% RUG, 5.0% NRUG, 4.5% RG & NRG)	2,710,330	2,806,205	8,226,864
Tuition Revenue Increase due to current enrollment changes	10,739	143,168	164,646
Tuition Revenue Increase due to projected enrollment changes		1,981,271	1,981,271
Recurring Administrative Services Assessment	55,105	367,139	477,349
<u>New Appropriations</u>			
State Appropriation for Compensation and Benefits	2,978,000	2,842,000	8,798,000
Inflation on Tuition Backfill	490,000	342,000	1,322,000
Funding for STEM enrollments	1,713,000		3,426,000
Maintenance and Operations for new capital projects	133,000		266,000
Opioid Overdose Medication funding	45,000	(20,000)	70,000
<u>One-time Funds</u>			
	2,405,424	278,879	5,089,727
Total New Sources	11,366,672	8,740,662	31,474,005
Uses			
<u>Institutional</u>			
Items Recommended and Decided subsequent to May 2018	2,602,611	144,000	5,349,222
Total Compensation and Benefits Increases	5,808,061	4,816,662	16,432,784
<u>Directed by the State</u>			
Maintenance and Operations for new capital projects	133,000		266,000
Opioid Overdose Medication funding	45,000	(20,000)	70,000
Funding for STEM enrollments	1,713,000		3,426,000
<u>WWU Policy Decisions</u>			
IT Networking Needs		500,000	500,000
TA Stipends	100,000	100,000	300,000
AA Operational Gap	715,000	3,200,000	4,630,000
Enrollment Recruitment/Marketing	250,000		500,000
Total New Uses	11,366,672	8,740,662	31,474,006

Internal Funding

Items Recommended and Decided subsequent to May 2018

After the recommendation from the vice presidents and deans was finalized in May 2018, there was \$1,816 that had not been allocated to any unit at the University. Additionally, the Office of Financial Management (OFM) released a revised tuition authorization that allowed an additional 0.2 percent increase on the resident undergraduate (RUG) operating fee. The University chose to implement the additional 0.2 percent increase. Finally, OFM provided additional funding in the carryforward budget to cover the half-year salary base budget associated with the increase implemented on January 1, 2019.

Tuition

In accordance with the College Affordability Act of 2015, the University has the authority to 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 2019-20 this average rate is 2.4 percent, and it is our recommendation to raise RUG tuition by 2.4 percent.

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. After completion of these analyses, it is our recommendation nonresident undergraduate tuition rates increase by 5.0 percent for fiscal year 2019-20 as per the plan put forward last year, and graduate rates (both resident and nonresident) increase by 4.5 percent.

The rates for FY20 are estimates and are subject to change before being proposed to the Board of Trustees in preparation of the FY20 budget.

Tuition Revenue Increase/(Decrease) Due To Current and Projected Enrollment Changes

The small FY20 increase reflects projected revenue generated by changes in our current enrollments. The FY21 projections include advancing our strategic plan priorities which require increasing our revenue base through controlled enrollment increase and mix.

Recurring Administrative Services Assessment

Auxiliaries are the various components of the University's operation that run as business units that must generate revenue to cover their costs. Examples include Extended Education, the Housing and Dining System, the Associate Students Bookstore, and the Wade King Student Recreation Center, just to name a few. These entities are charged a fee to cover the cost of central services utilized as part of their operations. The amount included here as a source is a combination of increased auxiliary activity and a fee increase in FY21, to enable the auxiliaries to plan for the increased assessment.

[Return to Sources and Uses](#)

New Appropriations

Compensation

Funding was provided in the state appropriation to fund the collective bargained agreements between the University and the Washington Federation of State Employees (WFSE) and the Public School Employees (PSE). Additionally, funding was provided for general wage increases for faculty and professional staff (PSO) equal to a 3 percent increase on July 1, 2019 and a 3 percent increase on July 1, 2020. Actual compensation increases will be by contract or PSO guidelines. The state appropriation also included funding to cover the employer's portion of the health insurance cost increase from \$916 to \$939 per eligible employee per month.

In all cases, the increased funding was provided on the portion of salaries and benefits paid on state appropriations (50 percent), not the portion paid from tuition revenue (50 percent). In order to cover our compensation needs, the University will need to utilize the legislative approved tuition setting authority of 2.4 percent for FY20 on resident undergraduate students as well as the first 2.4 percent of the nonresident undergraduate tuition increase, inflation funding received on the 2015-17 tuition buyback, and the \$1,817,000 in foundational support provided in House Bill 2158.

Inflation on Tuition Backfill

The College Affordability Act of 2015 provided that the net revenue loss (that was backfilled with state appropriations) would be adjusted for inflation in subsequent biennia.

Funding for STEM Enrollments

\$1,713,000 (\$3,426,000 for the biennium) was included in the compromise budget solely to increase access to science, technology, engineering, and mathematic degrees, which may include expanding prehealth care capacity, creating an energy science and technology Bachelor of Science degree, and expanding electrical engineering degrees.

Opioid Overdose Funding

Funding was received to implement House Bill 1039 related to Opioid Overdose Medication.

Maintenance and Operations for New Capital Projects

The state recognizes that as buildings are constructed or renovated at the University, costs for maintaining and operating the additional square footage increases. This biennial budget provides \$133,000 (\$266,000 for the biennium) for facilities that will be partially or fully completed during the 2019-21 biennium.

[Return to Sources and Uses](#)

One-time Funds

These recommendations include the use of \$2,405,425 in one-time funds in FY20 (from contingency fund savings and salary savings from vacant new faculty lines during the approximate year-long recruitment process). Institutional reserves in the amount of \$2,684,303 will be utilized as one-time funding in FY21.

[Return to Sources and Uses](#)

Institutional

Items Recommended and Decided Subsequent to May 2018 (Use)

The University made significant investments in the past two years in a number of new areas, including:

- New tenure-track faculty positions
- New positions important to advance diversity and equity (e.g. LGBTQ+ Director, Tribal Liaison, Title IX Officer)
- Additional compensation commitments above the amount appropriated by the state
- Additional funding for the supplemental retirement plan for FY21

Compensation

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Directed by the State

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[Return to Sources and Uses](#)

WWU Policy Decisions

IT Networking Needs

The University has recognized for several years the need to address IT networking infrastructure needs. We have submitted decision packages to the state over the past 3 biennia, but have not received new funding. This funding starts to address the needs of the University and is a multiyear commitment.

Teaching Assistant Stipends

The University recognizes the need to increase stipend rates for graduate student Teaching Assistants for the reasons articulated in the budget request. This funding represents the beginning of a multi-year incremental approach to bringing the stipend rate in strategic alignment with our peers. Planning work in the Graduate School on how to implement the increase will commence immediately.

Academic Affairs Operational Gap

Having already described in part the Academic Affairs operational gap in terms of base budget deficiencies, the funding represented here is intended as a beginning step toward addressing structural issues in the overall Academic Affairs budget. Together with planned operational measures intended to decrease costs in the division in the near-term, this allocation should begin to assist Academic Affairs to better accommodate costs related to basic operations. It also recognizes the divisional budget impacts of salary increases associated with tenure and promotion / post-tenure review and other institutional expenses.

Enrollment Recruitment/Marketing

The investment is targeted to build awareness and support for a pipeline of qualified enrollments in two key out-of-state markets: Colorado and Northern California.

[Return to Sources and Uses](#)