## **Guidance for Completing the Financial Analysis Worksheet**

## A major factor in determining whether or not a proposed program or new location(s) is viable is financial feasibility. The accompanying Excel spreadsheet contains tables that can be pasted into the proposal document when completed. Both your college’s Finance Officer and the University Budget Office are available to assist you with this spreadsheet.

#### Enrollment Projections – Table 1

Use Table 1 of the spreadsheet to report enrollment projections for the program. Student headcount (HDC) and AAFTE (annual average full time equivalent) from Table 1 will automatically transfer to Table 2 - Cost and Revenue Projections. Enrollment projections should be grounded in the demand analysis and justified in the budget narrative.

Cost per student AAFTE will be considered when evaluating new programs. The State Office of Financial Management (OFM) publishes an annual higher education expenditure study that reports per AAFTE costs for state supported undergraduate and graduate students. Results of the study can be found here: [OFM Expenditure Study](http://www.ofm.wa.gov/hied/expenditurestudy/default.asp). The OFM study may be used as a guideline when estimating costs. Because the amounts reported are overall averages for all programs bear in mind that per AAFTE costs for specific disciplines will be higher or lower than reported by OFM.

**Cost and Revenue Projections – Table 2**

Many of the expenses involved in creating new programs and/or extending existing programs to new location(s) can be absorbed within existing resources. However, a new program can add fixed and variable costs that require new resources.

If you anticipate similar kinds and sizes of courses and similar methods of delivery as an existing program, you may be able to project the costs of the new program fairly closely by determining the cost of the existing program. If the new program will use different delivery methods, start with fewer students, or otherwise differ from the existing one, this may not be the case. Check with your college’s Finance Officer or the Budget Office for assistance.

### Direct and indirect expenses must be considered in the financial analysis.

### **Direct expenses** are specifically tied to the proposed program and include:

### Salaries and benefits (Faculty, Administrator, Clerical Support, Graduate Assistants)

* Goods and Services – classroom materials, phones, copying,
* Travel costs

##### Equipment costs

* Other

**Indirect expenses** are costs associated with existing or additional support services that increase incrementally because of the addition of the program. These costs should not be confused with the Facilities and Administrative (F&A) costs that are applied to grants and contracts. The indirect costs related to new programs are the facilities, administrative support and student services costs that are in place to support the delivery of the University’s academic programs. The indirect cost rate is automatically calculated in Table 2.

**Detailed Information for Completing Table 2**

**Expenditure Section – identify direct costs of the program:**

* Complete the template using your best estimates of the costs to deliver this new program for the first two years of delivery and in the year that you expect it to reach full capacity (Year N). It is often true that the first year of a program has higher costs per student FTE, as the enrollments in early years are lower than expected at full capacity. Over time, as the number of FTE increase, the costs per FTE will decrease.
* Enter the staffing needs for the program (faculty, graduate students, exempt and classified staff). A full-time appointment is 1 FTE, half-time is 0.5 FTE, etc. List the job titles (not individual’s names) and FTE for each category of employee on the template along with their salary amounts.
* Use the most recent benefit model located [here](http://budget.wsu.edu/budget-policies/index.html) to estimate benefits.
* Estimate operating expenses for goods and services, travel, and equipment. (Include both one-time and on-going costs)
* The spreadsheet will automatically sum direct costs and calculate indirect costs and cost per student AAFTE.
* Finally, identify any one-time costs included in the annual totals. The spreadsheet will calculate recurring totals based on the one-time costs entered. (All indirect costs are recurring.)

**Revenue Section – break down the anticipated sources of funds according to these categories:**

* **Internal Reallocations** indicate the portion of the costs within the column that will be covered by reallocation of resources from other programs within the department or college.
* **Enrollment Funding** should include new allocations expected from increased undergraduate enrollment funding (EBB) or graduate DDP funding.
* The **New State Funds** row should only be shown as a source when a program will await the availability of new funds through the State budget request process. (New state funding is generally not an option as the legislature is not expected to increase appropriations for general enrollment.) Note that listing items in the New State Funds column does not imply or guarantee that these funds will be available.
* The **WSU Allocation** row is to be used if funds are available to expand programming due to internal reallocations at the institutional level (“central”).
* **Indirect Allocation** is equal to the indirect cost burden to be absorbed centrally to provide support services for delivery of the program.
* **Other sources** of funds should be described if listed.

Revenue commitments from colleges, campuses or other sources must be documented. Special arrangements outside normal budget policies must be documented.