



WASHINGTON STATE  
UNIVERSITY

# BUDGET MODEL DEVELOPMENT INITIATIVE UPDATE



Elizabeth S. Chilton, Provost and WSU Pullman Chancellor  
Stacy Pearson, Vice President, Finance and Administration

# EXECUTIVE BUDGET COUNCIL (EBC)

---

- Engage the WSU system community in **understanding our current practices** in both allocating resources and assessing costs.
- Explore **national best practices** in resource allocation in higher education.
- Establish **guiding principles** for desired changes to the management of cost structures and resource allocation.
- **Propose specific changes** to our resource allocation methodology to support the system strategic plan and priorities.

*Continued ...*



# EXECUTIVE BUDGET COUNCIL

**(EBC)** *continued*



- **Propose a holistic budget model** that incentivizes revenue growth and promotes accountability by utilizing success metrics.
- **Facilitate transparent and informative budget communications** with the WSU community.
- **Recommend budget policies** to support our strategic priorities, fiscal accountability and inclusive of all university funds.



# EBC MEMBERSHIP

---

- **Elizabeth Chilton**, *WSU Pullman Chancellor and Provost and Executive Vice President (Co-Chair)*
- **Stacy Pearson**, *Chief Financial Officer and Vice President for Finance and Administration (Co-Chair)*
- **Marwa Aly**, *Vice President, Graduate and Professional Student Association*
- **Celestina Barbosa-Leiker**, *Associate Professor, College of Nursing and Vice Chancellor for Research, WSU Health Sciences Spokane*
- **Jennifer Chambers-Taube**, *Vice Chancellor for Finance and Operations, WSU Vancouver*
- **Dave Cillay**, *Vice President for Academic Outreach and Innovation and Chancellor, Global Campus*
- **Sandra Haynes**, *Chancellor, WSU Tri-Cities*
- **Chip Hunter**, *Dean, Carson College of Business*
- **Linda McDermott**, *Assistant Vice President for Finance, Division of Student Affairs*
- **Brian Patrick**, *Student Government Council Representative and President, ASWSU*
- **Margaret Singbeil**, *Program Administrative Manager, WSU Seattle*
- **Don Holbrook**, *Budget Director, Academic Affairs (Ex-officio)*
- **Kristina Peterson-Wilson**, *Chief of Staff, Provost's Office (Ex-officio)*
- **Kelley Westhoff**, *Executive Director for Budget and Planning (Ex-officio)*



# GUIDING PRINCIPLES

---

- **Predictable basis** for planning and introducing new programs
- Promoting an **analytics-oriented approach** to understanding program investments
- Recognition that campuses, schools and colleges, and administrative & support units have **varied resource needs**
- Promoting equity through increased **transparency and accountability**
- Clarity in alignment of resource **allocation, accountability, and responsibility**
- **Revenue growth**, and increased resources to recruit, retain, and develop faculty and staff, balanced with **collaboration**



# TYPICAL MODELS FOR BUDGETING IN HIGHER EDUCATION

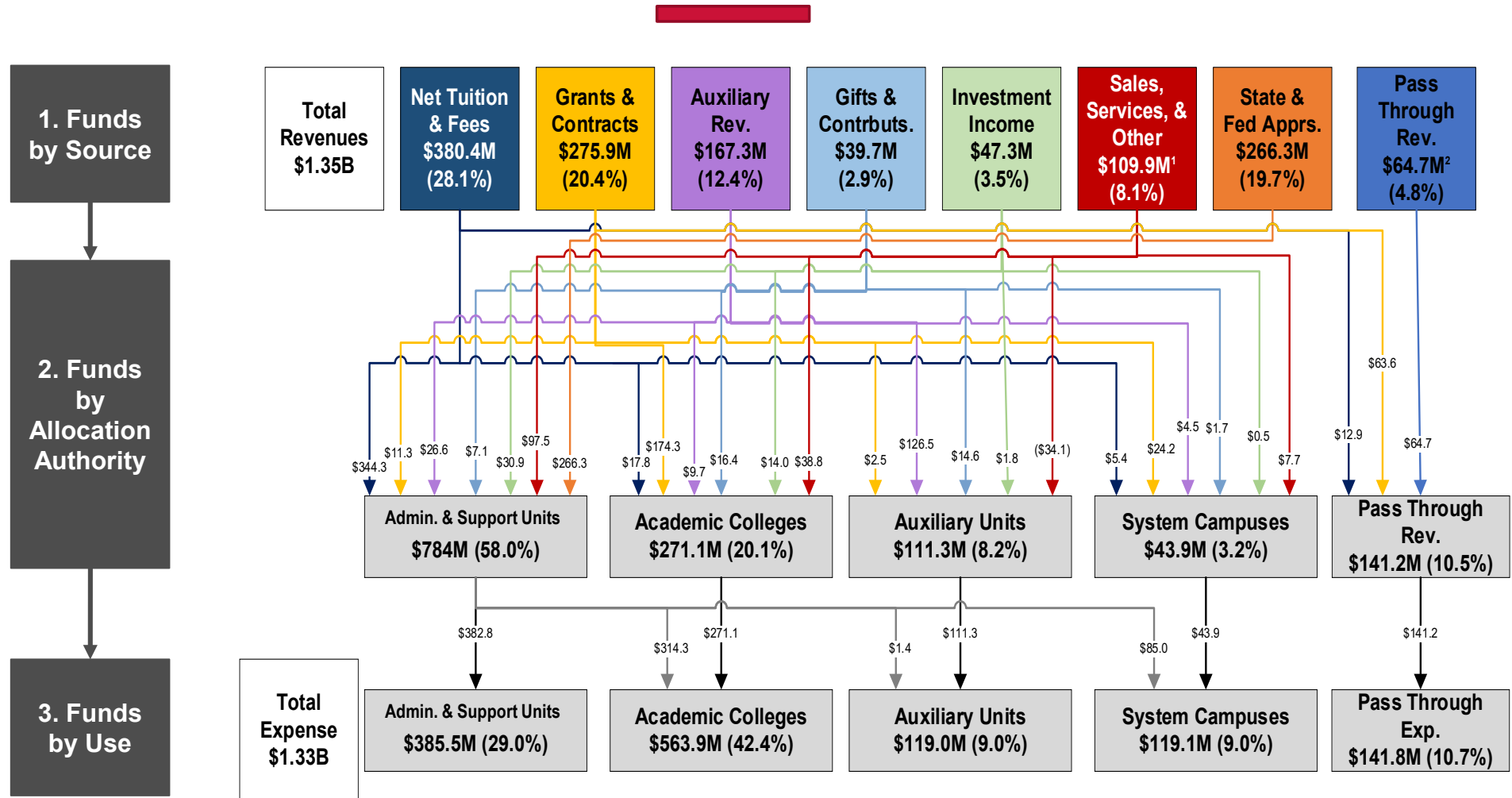
MORE CENTRALIZED MODELS			MORE DECENTRALIZED MODELS	
INCREMENTAL	FORMULA	PERFORMANCE-BASED	RESPONSIBILITY CENTER MANAGEMENT ("RCM")	EACH TUB ON ITS OWN BOTTOM ("ETOB")
<ul style="list-style-type: none"> <li>• Current budget acts as "base; " annual budget increments adjust base</li> <li>• Alignment of revenues and costs is not clear</li> <li>• Encourages "use-it or lose-it" spending</li> <li>• Not responsive to change in activity</li> </ul>	<ul style="list-style-type: none"> <li>• Unit-based model focused on providing equitable funding</li> <li>• Unit rates are input-based and commonly agreed upon</li> <li>• Majority of revenues are not aligned with costs</li> </ul>	<ul style="list-style-type: none"> <li>• Unit-based model focused on rewarding mission delivery</li> <li>• Unit rates are output-based and commonly agree upon</li> <li>• May sacrifice quality of outputs ("gaming")</li> <li>• Time-lag between decisions and results</li> </ul>	<ul style="list-style-type: none"> <li>• Incentives tailored to emphasize strategic needs and promote entrepreneurship</li> <li>• Revenues are allocated based on institutional priorities (e.g., enrollment, research)</li> <li>• Both direct and indirect costs are allocated to RCs (campus and colleges)</li> <li>• Aligns revenues with costs</li> </ul>	<ul style="list-style-type: none"> <li>• Extremely decentralized model</li> <li>• Academic units effectively operate as their own financial entities</li> <li>• Very little strategic control held by the central administration</li> </ul>





# HISTORICAL FUNDS FLOW

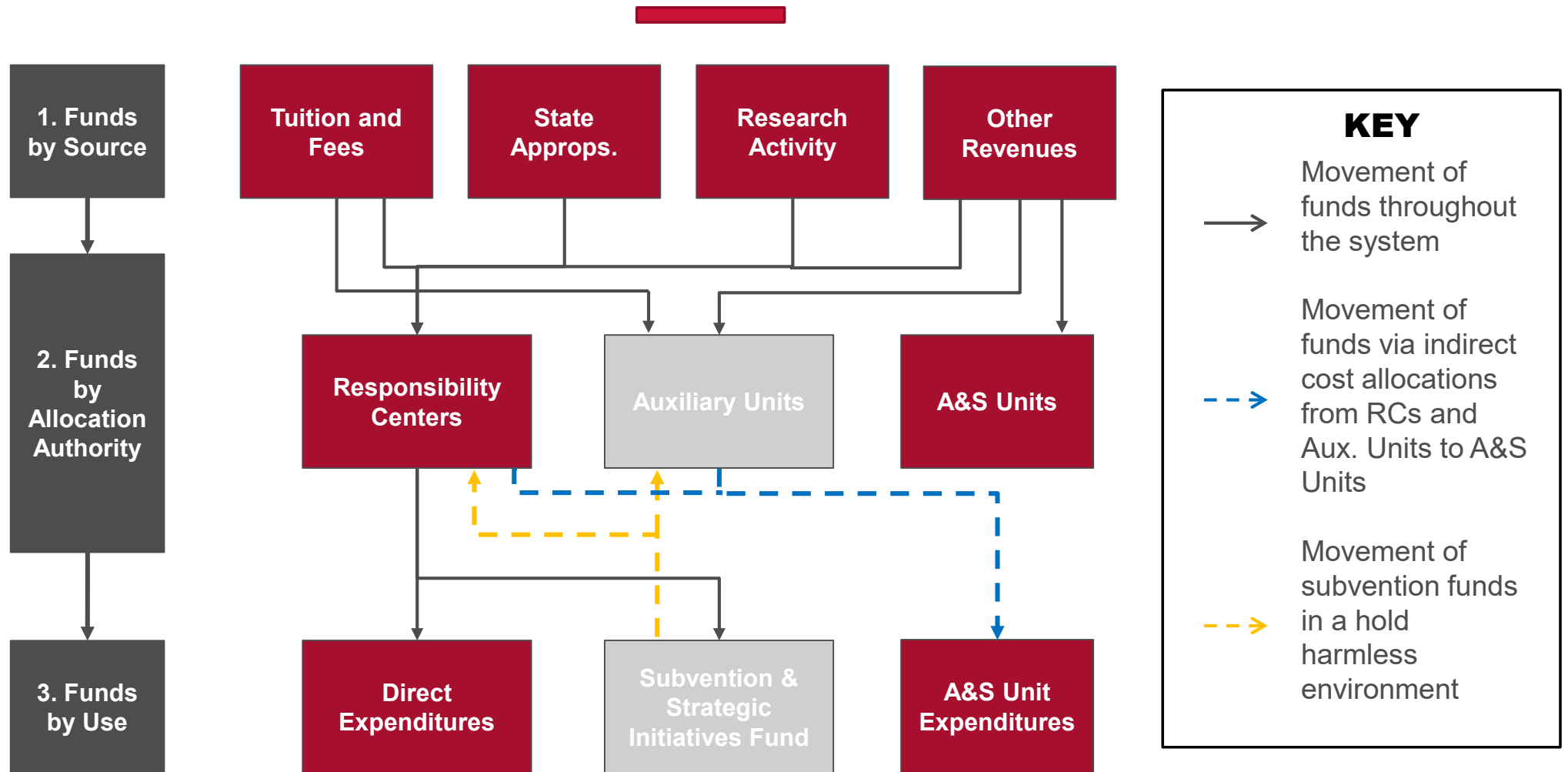
The illustration below outlines the *actual* flow of funds across WSU in FY20.





# PROPOSED MODEL FUNDS FLOW

The illustration below outlines the *proposed* flow of funds across WSU in FY20.





# INITIAL MODEL ORGANIZATION STRUCTURE



RESPONSIBILITY CENTERS*
<b>Everett</b>
<b>Global</b>
<b>Pullman</b>
CAHNRS
Carson College of Business
College of Arts & Sciences
College of Education
College of Veterinary Medicine
Murrow College of Communication
Voiland College of Engineering & Architecture
<b>Spokane</b>
E.S. Floyd College of Medicine
College of Nursing
College of Pharmacy & Pharmaceutical Sciences
<b>Tri-Cities</b>
<b>Vancouver</b>

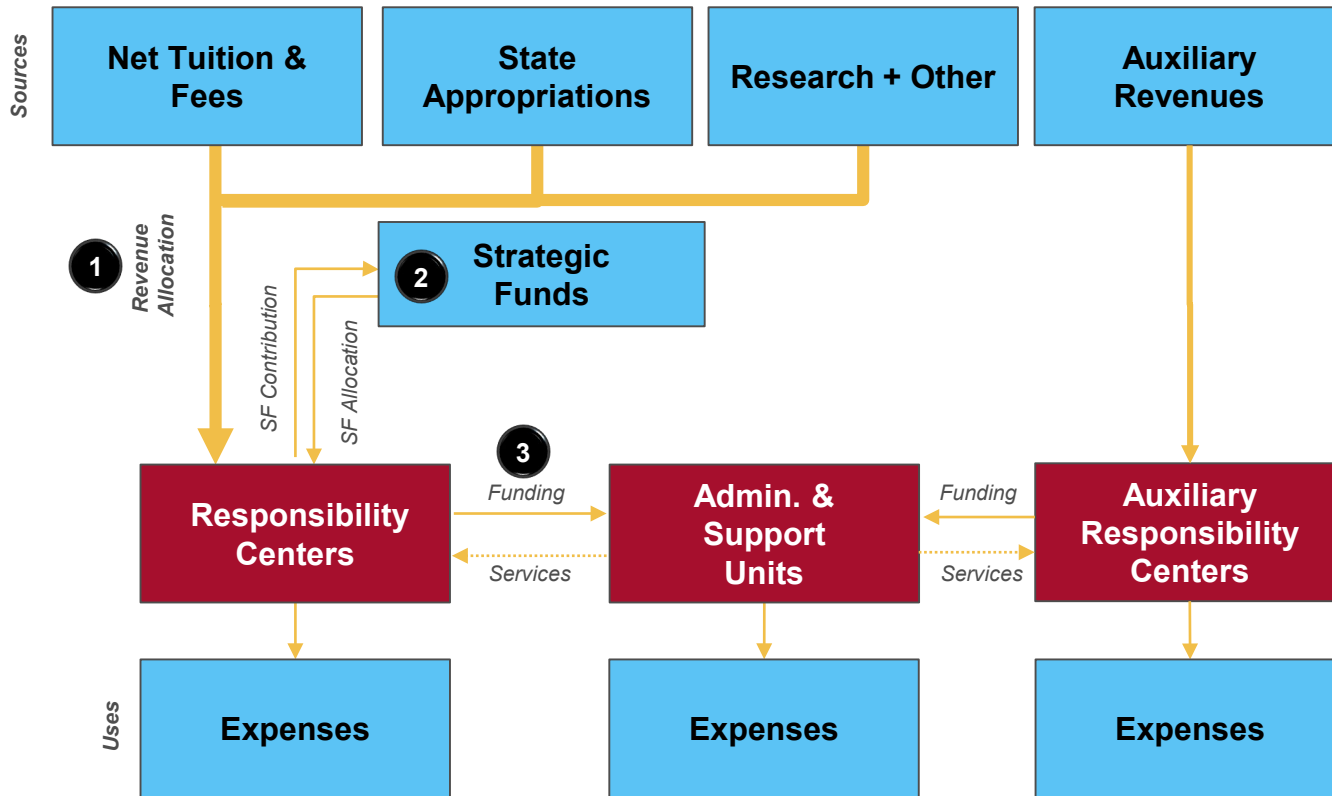
AUXILIARY UNITS
Athletics
Chinook Student Center
Dining & Housing
Parking
Student Recreation Center
Wilson Compton Union

ADMINISTRATIVE & SUPPORT UNITS
Advancement
Enrollment
External Affairs & Government Relations
Facilities Services
Finance & Administration
Graduate School
Human Resources
Information Technology
International Programs
Libraries
Marketing & Comms
President
Provost
Research
Student Affairs
Financial Management

*\*All campuses and colleges are responsibility centers in the model; each college is “nested” within the campus in which it is primarily housed.*



# ILLUSTRATIVE MODEL DESIGN



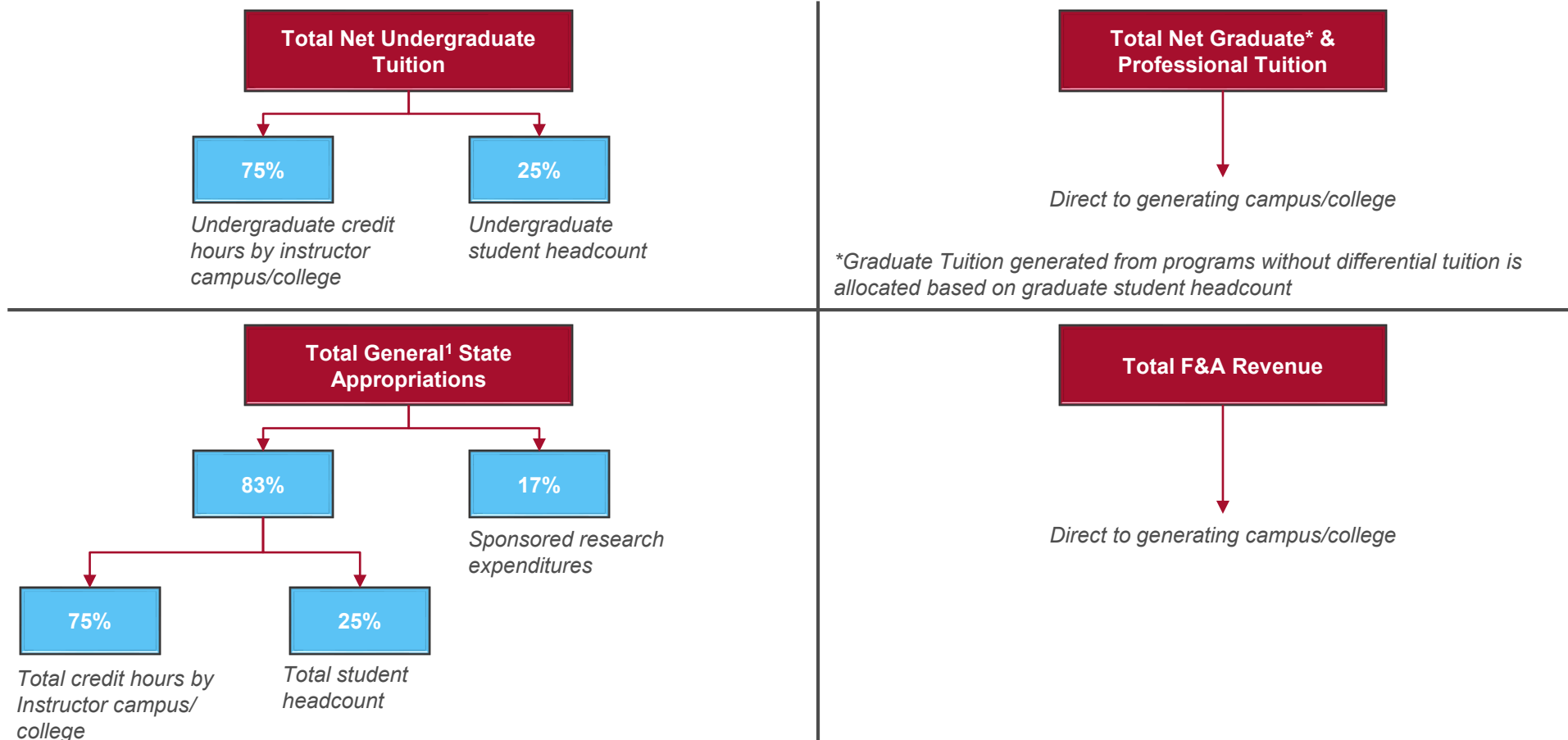
**1 Revenue allocations** reflect instruction, academic support, and research incentives for Campuses and Colleges.

**2 Strategic funds** represent a portion of revenue allocations from Campuses and Colleges for discretionary allocation by WSU leadership.

**3 Administrative & Support Unit cost allocations** represent consumption of services per drivers such as headcounts, FTEs, space, etc.



# PROPOSED NEW REVENUE ALLOCATIONS



# PROPOSED REVENUE ALLOCATION METHODOLOGY

ACCOUNT	%	METHODOLOGY
Net Tuition Revenue – Undergraduate	75%	Undergraduate Student Credit Hours by Instructor Campus and College
	25%	Undergraduate Student Headcount
Net Tuition Revenue – Graduate	100%	Graduate Student Headcount
Net Tuition Revenue – Graduate Programs with Differential Tuition	100%	Allocated as Generated
Net Tuition Revenue – Professional	100%	Allocated as Generated
State Appropriations	62%	Total Student Credit Hours by Instructor Campus and College
	21%	Total Student Headcount
	17%	Research Expenditures
F&A Cost Recovery	100%	F&A Expenditures



# PROPOSED A&S UNIT COST ALLOCATION METHODOLOGY



A&S UNIT	METHODOLOGY
Advancement	Direct Expenditures
Enrollment	Total Student Headcount
External Affairs & Gov't Relations	Direct Expenditures
Facilities Services	Net Assignable Sq Footage
Finance & Administration	Direct Expenditures
Graduate School	Graduate Student Headcount
Human Resources	Employee Headcount
Information Technology	Total Student Headcount
International Programs	Undergraduate Student Headcount
Libraries	Total Student Headcount
Marketing & Comms	Direct Expenditures
President	Employee Headcount
Provost	Faculty FTE
Research	Research Expenditures
Student Affairs	Total Student Headcount
Financial Management	Direct Expenditures

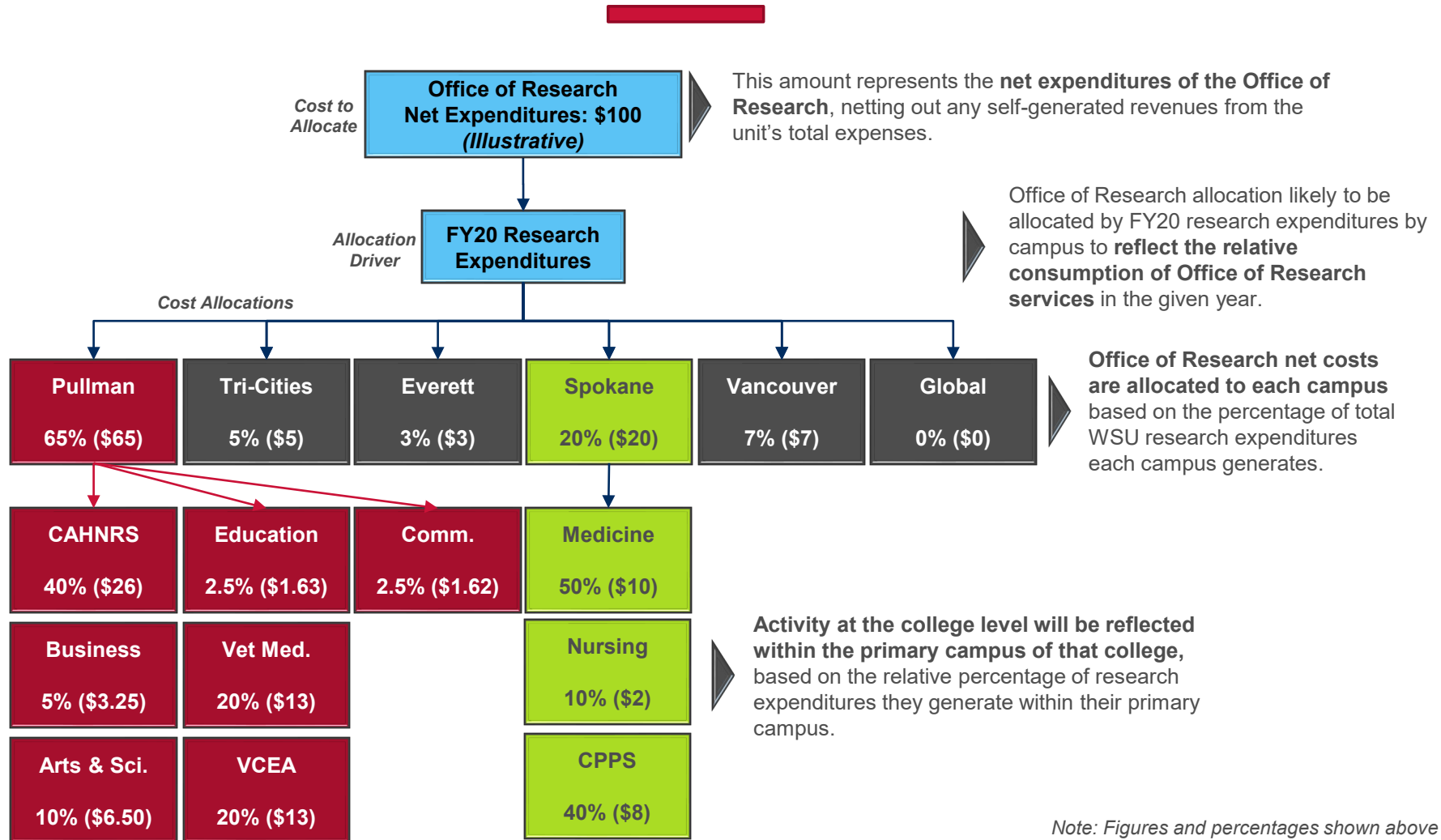
*The proposed allocation methodologies are intended to represent each college's or campus' relative "consumption" of services provided by those Administrative & Support Units.*

Note: "Direct Expenditures" refers to the total expenses generated by a given Responsibility Center within the fiscal year at hand.



# EXAMPLE: A&S UNIT ALLOCATION

The below example illustrates how the Office of Research could be funded in the future state model through cost allocation based on Responsibility Centers' research expenditures



Note: Figures and percentages shown above are ILLUSTRATIVE.



# EXAMPLE: RESPONSIBILITY CENTER OUTPUT

	1	2	3	4
		Unit A	Unit A	Unit A
		Unrestricted Funds	Restricted Funds	Total
1				
2	Tuition	25	-	25
3	State Approps.	20	2	22
4	F&A	7	-	7
5	Other Revenues	5	20	25
6	<b>Total Revenues</b>	<b>57</b>	<b>22</b>	<b>79</b>
7	Direct Expenses	40	22	62
8	<b>Operating Margin</b>	<b>17</b>	<b>-</b>	<b>17</b>
9	Indirect Expenses	15	-	15
10	<b>Total Margin</b>	<b>2</b>	<b>-</b>	<b>2</b>
11	Particip. Fee Payment (Outflow)*	-	-	(16)
12	<b>Margin After Part. Fee Payment</b>	<b>-</b>	<b>-</b>	<b>(14)</b>
13	Subvention Fund Disbursement (Inflow)	-	-	14
14	<b>Margin After Subv.</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* The above table includes a Participation Fee applied to 20% of all revenues, for illustrative purposes.



# EXAMPLE: SCENARIO PLANNING

Units will be able to plan changes to their allocation inputs, direct revenues and expenses. In the below scenario, Unit A instructs 50 additional Student Credit Hours (SCH) above plan.

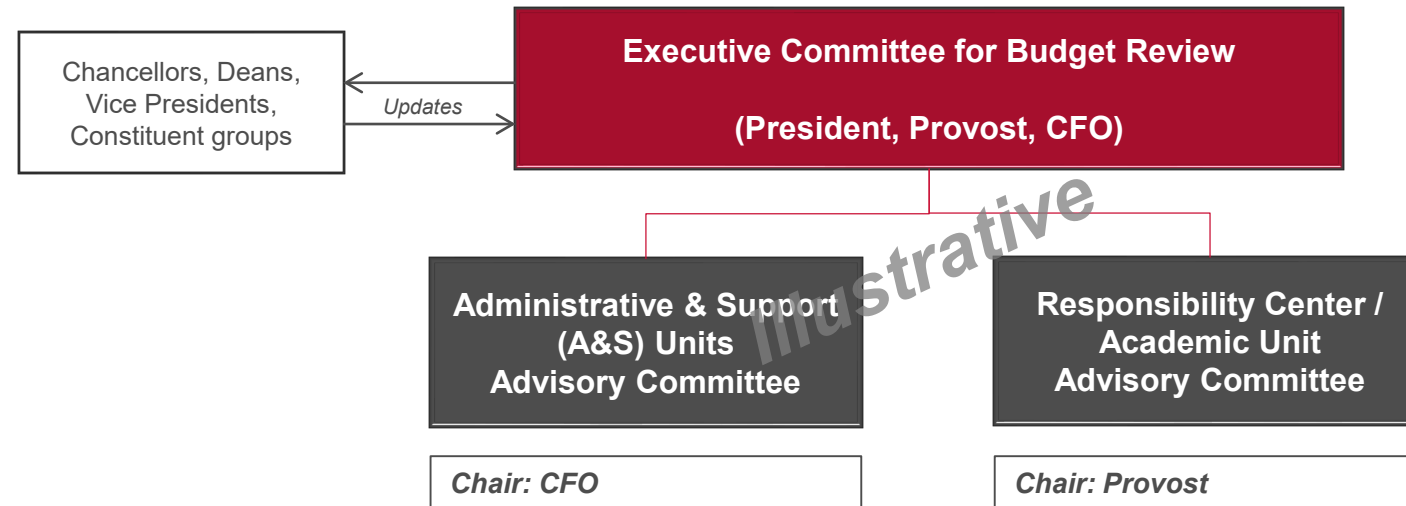
			Unit A Total	
1	<b>Revenues</b>	<b>Rates</b>		
2	Net Tuition - UG (Instruction)	\$261 additional UG SCH Instructed	13,059	} <b>Additional revenue</b> generated by new SCH
3	Net Tuition - UG (Enrollment)	\$1,036 per additional UG Student Headcount	-	
4	<b>Total Net Tuition Revenue (UG)</b>		<b>13,059</b>	
6	State Approps. - Instruction	\$181 per additional UG SCH Instructed	9,052	
7	State Approps. - Acad. Supp.	\$690 per additional UG Student Headcount	-	} <b>Additional direct expenses</b> incurred to support new activity
8	State Approps. - Research	\$0.22 per additional \$1 of Research Exp.	-	
9	<b>Total State Appropriations</b>		<b>9,052</b>	
10	<b>Total Revenues</b>		<b>22,111</b>	
11	<b>Direct Expenditures</b>			
12	Adjunct Hire		5,000	} <b>Additional overhead</b> incurred as a result of new SCH
13	<b>Total Direct Expenditures</b>		<b>5,000</b>	
14	<b>Operating Margin Before Support Allocations</b>		<b>17,111</b>	
15	<b>Allocated Administrative &amp; Support Unit Costs</b>			
16	Advancement	\$0.006 per additional \$1 of Direct Exp.	30	} <b>Net revenue</b> generated from new SCH activity
17	Ext. Affairs & Gov't Rel.	\$0.002 per additional \$1 of Direct Exp.	11	
18	Finance & Administration	\$0.014 per additional \$1 of Direct Exp.	69	
19	Marketing & Comms	\$0.008 per additional \$1 of Direct Exp.	39	
20	Financial Management	\$0.025 per additional \$1 of Direct Exp.	125	
21	<b>Total Overhead Allocations</b>		<b>275</b>	
22	<b>Operating Margin After Overhead Allocations</b>		<b>16,836</b>	
23	20.0%	Participation Fee Payment (Outflow)	4,422	
24	<b>Margin After Fee Payment</b>		<b>12,414</b>	

Note: details shown above are subject to change.





# MODEL GOVERNANCE



Common structures for model oversight include the following committees:

- **Executive Committee for Budget Review:** Responsible for funding decisions, as informed by work of other committees
- **Administrative & Support (A&S) Unit Allocation Committee:** Responsible for evaluating appropriate funding levels required to deliver agreed-upon service levels
- **Academic Units Advisory Committee:** Responsible for reviewing academic unit proposed budgets, monitoring model “gaming,” and considering new curriculum, among other activities





# APPENDIX



# INTERVIEWS (1 of 3)

---

NAME	TITLE	AREA
Dori Borjesson	Dean	College of Veterinary Medicine
Todd Butler	Dean	College of Arts & Sciences
Lisa Gloss	Dean	Graduate School
Chip Hunter	Dean	Carson College of Business
Rick Koenig	Interim Dean	College of Agricultural, Human, and Natural Resource Sciences
Mary Koithan	Dean	College of Nursing
Mark Leid	Dean	College of Pharmacy and Pharmaceutical Sciences
Grant Norton	Dean	Honors College
Bruce Pinkleton	Dean	Edward R. Murrow College of Communication
Mary Rezac	Dean	Voiland College of Engineering and Architecture
Jay Starratt	Dean	Libraries
John Tomkowiak	Founding Dean	Elson S. Floyd College of Medicine
Mike Trevisan	Dean	College of Education

# INTERVIEWS (2 of 3)



NAME	TITLE	CAMPUS
Daryll DeWald	Chancellor	WSU Spokane
Margaret Holt	Chief of Staff, Chancellor	WSU Spokane
Celestina Barbosa-Leiker	Vice Chancellor for Research	WSU Spokane
Dan DeNike	Vice Chancellor of Finance and Budget	WSU Spokane
Gwen Halaas	Vice Chancellor for Academic Affairs	WSU Spokane
Jim Mohr	Vice Chancellor of Student Affairs	WSU Spokane
Laura Hamilton	Area HR Administrator	WSU Spokane
Dave Cillay	Chancellor	WSU Global
Leslie Thompson	Director of Administrative Services	WSU Global
Jennifer Cook	Director, Professional Education	WSU Global



# INTERVIEWS (3 of 3)



NAME	TITLE	CAMPUS
Sandra Haynes	Chancellor	WSU Tri-Cities
Ray White	Vice Chancellor of Finance and Administration	WSU Tri-Cities
Kate McAteer	VC for Academic and Student Affairs	WSU Tri-Cities
Damien Sinott	Director of Business Services	WSU Tri-Cities
Robin Stanco	Director of Financial Services	WSU Tri-Cities
Erin Armstrong	Financial Administrator	WSU Everett
Mark Beattie	AVC for Academic and Student Affairs	WSU Everett
Heather Yockey	Area Budget and Finance Manager	WSU Everett
Emile "Mel" Netzhammer	Chancellor	WSU Vancouver
Lynn Valenter	Vice Chancellor for Finance and Operations	WSU Vancouver
Diane Xiong	Director of Budget and Accounting	WSU Vancouver

