



WASHINGTON STATE  
UNIVERSITY

# WASHINGTON STATE UNIVERSITY

## Budget Model Development Initiative Update

*June 2022*

*DRAFT – FOR DISCUSSION PURPOSES ONLY*

# Meeting Objectives

1. Review initiative Guiding Principles and impetus for change
2. Overview model methodology and FY20 System-wide model output observations
3. Introduce initial budget model governance recommendations and solicit feedback
4. Summarize proposed next steps

# Guiding Principles

The Executive Budget Council and WSU leadership identified the following principles to shape a new budget model.

- **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**

# Model Organization Structure

All areas across WSU, both academic and administrative, have been designated as either a Responsibility Center (RC), an Auxiliary RC Unit, or an Administrative & Support (A&S) Unit.

RESPONSIBILITY CENTERS <sup>1</sup>
<b>Everett</b>
<b>Global</b>
<b>Pullman</b>
CAHNRS <sup>2</sup>
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 RC UNITS
Athletics
Chinook Student Center
Dining & Housing
Parking
Student Recreation Center
Wilson Compton Union

ADMINISTRATIVE & SUPPORT UNITS
Advancement
Academic Outreach & Innovation
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
Pullman / Spokane overhead <sup>3</sup>

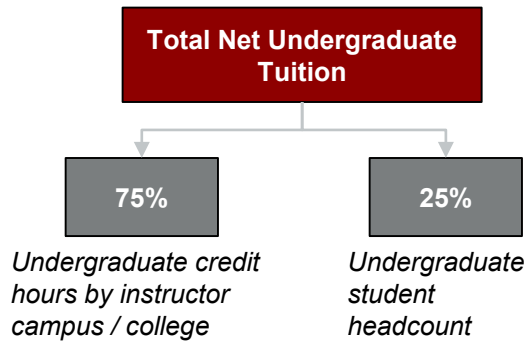
- 1) All campuses and colleges are responsibility centers in the model; each college is “nested” within the campus in which it is primarily housed.
- 2) CAHNRS and Research & Extension are all nested within the CAHNRS Responsibility Center.
- 3) General overhead within Pullman and Spokane is allocated out to the colleges “nested” within each respective campus—note: other campuses are not “charged” with these net expenditures.



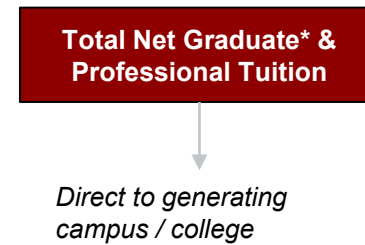
# Allocated Revenue Methodology

Four revenue sources are proposed to have new allocation methodologies; all other revenues will remain unchanged.

1

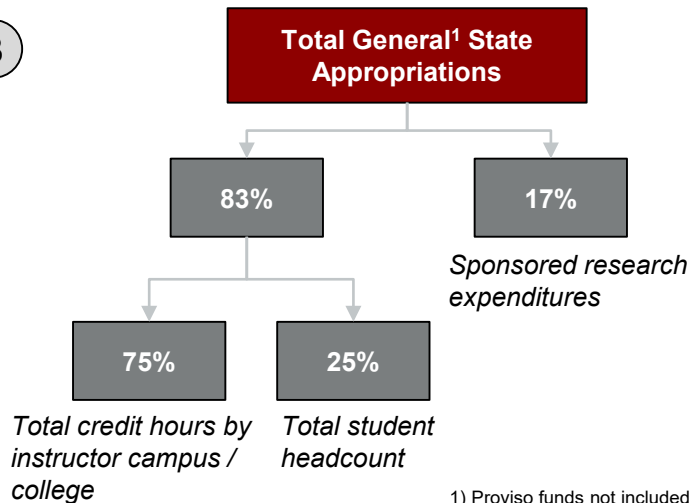


2



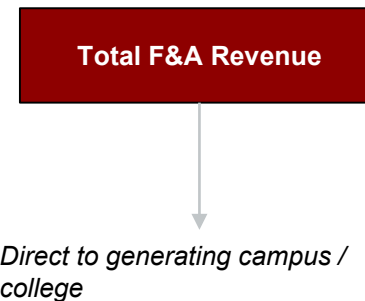
*\*Graduate Tuition generated from programs without differential tuition is allocated based on graduate student headcount*

3



1) Proviso funds not included in allocation

4



The proposed methodology is intended to align revenues, with units incurring the direct costs for generating those revenues, while creating incentives for growth.

# Central Cost Allocation Methodology

System administrative and support net expenses are organized into “Administrative & Support” (A&S) Units and allocated to campuses & colleges.

A&s Unit	Methodology	Campus(es) Included
Advancement	Direct Expenditures	All Campuses, Auxiliaries
Academic Outreach & Innovation <sup>1</sup>	Direct Expenditures	All Campuses
Enrollment	Total Student Headcount	All Campuses, Auxiliaries
External Affairs & Gov't Relations	Direct Expenditures	All Campuses, Auxiliaries
Facilities Services	Net Assignable Sq Footage	Pullman, Athletics, Parking
Finance & Administration	Direct Expenditures	All Campuses, Auxiliaries
Graduate School	Graduate Student Headcount	All Campuses, Auxiliaries
Human Resources	Employee Headcount	All Campuses, Auxiliaries
Information Technology	Total Student Headcount	All Campuses, Auxiliaries
International Programs	Undergraduate Student Headcount	All Campuses, Auxiliaries
Libraries ( <i>System-wide Functions</i> ) <sup>2</sup>	Total Student Headcount	All Campuses, Auxiliaries
Marketing & Comms	Direct Expenditures	All Campuses, Auxiliaries
President	Employee Headcount	All Campuses, Auxiliaries
Provost	Faculty FTE	All Campuses, Auxiliaries
Research	Research Expenditures	All Campuses, Auxiliaries
Student Affairs	Total Student Headcount	Pullman
Financial Management	Direct Expenditures	All Campuses, Auxiliaries
Pullman / Spokane Overhead <sup>3</sup>	Total Student Headcount*	Pullman, Spokane (respectively)

- 1) Global and AOI costs were reviewed to assign related costs to the Global campus, AOI administrative & support-related expenses, and Pullman-specific expenses.
- 2) Libraries costs were reviewed to identify and assign System-related expenses and Pullman-specific expenses accordingly.
- 3) Campus-specific overhead within Pullman and Spokane is allocated out to the colleges “nested” within each respective campus.



# Model Updates

There have been several key updates made since draft FY20 model figures were shared in November 2021, as well as a few elements still being considered for potential revision.

## Completed Updates:

- ✓ Campus-specific overhead and intra-campus allocations
- ✓ Global and AOI differentiation
- ✓ CAHNRS and Extension differentiation
- ✓ Pullman vs. System overhead adjustments (e.g., Libraries, Facilities, Student Affairs)
- ✓ Participation Fee levied to Unrestricted Revenues only
- ✓ Adjustment of Legacy A&S Unit “Taxes” (e.g., “Gift Tax”) back to Generating Unit

## Areas for Potential Revision:

- Deferred maintenance funding
- Unfunded commitments funding

**Huron will construct an additional year’s budget model to evaluate the proposed methodology in another fiscal year and will work closely with Executive Leadership in the process.**

# FY20 Model Notes / Caveats

The list below reflects several important points of context to appropriately frame the model output and manage expectations around the future state.

- Model uses **FY20 data**—more than 2 years old now—to provide an initial output of what a future structure *may* resemble
- FY20 marked the third year of a budget reduction initiative and **today's economic picture is markedly different**; new programs, recent growth, and other changes are not represented; FY20 likely also represents impacts from the COVID-19 pandemic
- Prior to model go-live, **additional years of budget and actual data** will be loaded into the model to understand if structural and/or allocation rule changes are appropriate based on more recent operations, which could impact results
- **All figures and observations shown are illustrative and subject to change.**



# All-Funds FY20 Model Illustrative Output

Dollars in THOUSANDS—subject to change.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
		Pullman	Spo- kane	Everett	Global	Tri- Cities	Van- couver	RC Totals	Aux. Units	A&S Units	Univ. Oper Acct.	Pass Thro- ugh	Model Total	Capital & Proj. Funds	WSU Total
2	Tuition	211,420	28,097	2,384	6,961	14,887	32,294	<b>296,043</b>	-	-	-	-	<b>296,043</b>	-	<b>296,043</b>
3	State Approps.	186,931	27,946	1,932	4,030	12,622	23,745	<b>257,206</b>	-	661	-	-	<b>257,867</b>	-	<b>257,867</b>
4	F&A	26,401	4,300	0	0	1,090	958	<b>32,750</b>	-	-	-	-	<b>32,750</b>	-	<b>32,750</b>
5	Other Revenues	245,525	26,218	528	7,515	16,396	12,785	<b>308,967</b>	145,198	161,393	1,517	99,627	<b>716,703</b>	25,381	<b>742,084</b>
6	<b>Total Revenues</b>	<b>670,277</b>	<b>86,561</b>	<b>4,844</b>	<b>18,505</b>	<b>44,995</b>	<b>69,783</b>	<b>894,965</b>	<b>145,198</b>	<b>162,054</b>	<b>1,517</b>	<b>99,627</b>	<b>1,303,362</b>	<b>25,381</b>	<b>1,328,744</b>
7	Direct Expenses	487,617	76,322	4,183	8,952	33,796	52,144	<b>663,014</b>	142,670	-	(3,576)	99,627	<b>901,735</b>	75,378	<b>977,113</b>
8	<b>Operating Margin</b>	<b>182,660</b>	<b>10,239</b>	<b>661</b>	<b>9,553</b>	<b>11,200</b>	<b>17,638</b>	<b>231,952</b>	<b>2,529</b>	<b>162,054</b>	<b>5,093</b>	-	<b>401,627</b>	<b>(49,996)</b>	<b>351,631</b>
9	Indirect Expenses	114,044	20,726	772	4,004	5,564	9,822	<b>154,933</b>	12,379	162,054	-	-	<b>329,365</b>	-	<b>329,365</b>
10	<b>Total Margin</b>	<b>68,616</b>	<b>(10,487)</b>	<b>(111)</b>	<b>5,549</b>	<b>5,635</b>	<b>7,816</b>	<b>77,019</b>	<b>(9,850)</b>	-	<b>5,093</b>	-	<b>72,262</b>	<b>(49,996)</b>	<b>22,266</b>
11	Particip. Fee*	(96,156)	(9,961)	(911)	(3,696)	(6,755)	(12,711)	<b>(130,190)</b>	-	-	130,190	-	-	-	-
12	<b>Margin After Particip. Fee</b>	<b>(27,540)</b>	<b>(20,447)</b>	<b>(1,021)</b>	<b>1,853</b>	<b>(1,120)</b>	<b>(4,895)</b>	<b>(53,171)</b>	<b>(9,850)</b>	-	<b>135,283</b>	-	<b>72,262</b>	<b>(49,996)</b>	<b>22,266</b>
13	<b>Stab. Fund (Inflow)+</b>	79,151^	20,447	1,021	-	1,120	4,895	<b>106,635</b>	18,045	-	(124,680)	-	-	-	-
14	<b>Margin After Stab. Fund</b>	<b>51,611</b>	-	-	<b>1,853</b>	-	-	<b>53,464</b>	<b>8,195</b>	-	<b>10,603</b>	-	<b>72,262</b>	<b>(49,996)</b>	<b>22,266</b>

\*University Oper. Acct.' represents central financial activity not allocated to System units (e.g., Area 90, Central Reserves, etc.). Col. 11, Row 12 includes central funds within Univ. Oper. Acct. supporting stabilization, which are represented again in Col. 11, Row 14.



# FY20 Model Illustrative Output: Pullman Totals

Dollars in THOUSANDS—subject to change.

	1	2	3	4	5	6	7	8	9	10	11
	CAHNRS	Research & Extension	CAHNRS (Total)	Carson College of Business	College of Arts & Sciences	College of Education	College of Veterinary Medicine	Murrow College of Comm.	Voiland College of Eng. & Arch.	WSU-Pullman Total	
1											
2	Tuition	23,945	-	<b>23,945</b>	26,035	93,611	12,231	18,194	10,866	26,538	<b>211,420</b>
3	State Approps.	18,238	16,327	<b>34,565</b>	21,565	71,420	9,109	15,325	8,282	26,665	<b>186,931</b>
4	F&A	32	8,349	<b>8,380</b>	-	5,491	188	6,222	137	5,983	<b>26,401</b>
5	Other Revenues	15,333	86,293	<b>101,626</b>	18,084	29,690	2,502	54,502	5,753	33,367	<b>245,525</b>
6	<b>Total Revenues</b>	<b>57,548</b>	<b>110,969</b>	<b>168,516</b>	<b>65,684</b>	<b>200,212</b>	<b>24,030</b>	<b>94,243</b>	<b>25,039</b>	<b>92,553</b>	<b>670,277</b>
7	Direct Expenses	35,825	132,176	<b>168,001</b>	34,381	92,653	13,010	95,172	14,253	70,147	<b>487,617</b>
8	<b>Operating Margin</b>	<b>21,722</b>	<b>(21,207)</b>	<b>515</b>	<b>31,303</b>	<b>107,559</b>	<b>11,020</b>	<b>(929)</b>	<b>10,786</b>	<b>22,407</b>	<b>182,660</b>
9	Indirect Expenses	14,926	12,090	<b>27,016</b>	13,326	29,494	6,659	14,287	4,176	19,087	<b>114,044</b>
10	<b>Total Margin</b>	<b>6,796</b>	<b>(33,297)</b>	<b>(26,501)</b>	<b>17,977</b>	<b>78,065</b>	<b>4,361</b>	<b>(15,216)</b>	<b>6,610</b>	<b>3,320</b>	<b>68,616</b>
11	Particip. Fee*	(9,962)	(6,735)	<b>(16,697)</b>	(12,325)	(34,810)	(4,452)	(11,510)	(3,906)	(12,456)	<b>(96,156)</b>
12	<b>Margin After Particip. Fee</b>	<b>(3,166)</b>	<b>(40,031)</b>	<b>(43,197)</b>	<b>5,652</b>	<b>43,255</b>	<b>(91)</b>	<b>(26,727)</b>	<b>2,704</b>	<b>(9,136)</b>	<b>(27,540)</b>
13	<b>Stab. Fund (Inflow)+</b>	3,166	40,031	<b>43,197</b>	-	-	91	26,727	-	9,136	<b>79,151</b>
14	<b>Margin After Stab. Fund</b>	-	-	-	<b>5,652</b>	<b>43,255</b>	-	-	<b>2,704</b>	-	<b>51,611</b>

Note: Row 9 includes allocated central expenditures as described on slide 6, intra-campus overhead costs, and activity from non-RC colleges within the campus.

# FY20 Model Illustrative Output: Spokane Totals

Dollars in THOUSANDS—subject to change.

	1	2	3	4	5
		E.S. Floyd College of Medicine	College of Nursing	College of Pharmacy and Pharm. Sciences	WSU-Spokane Total
1					
2	Tuition	8,276	6,132	13,689	28,097
3	State Approps.	16,506	4,595	6,845	27,946
4	F&A	1,988	370	1,943	4,300
5	Other Revenues	12,180	3,005	11,032	26,218
6	<b>Total Revenues</b>	<b>38,950</b>	<b>14,103</b>	<b>33,509</b>	<b>86,561</b>
7	Direct Expenses	40,076	12,477	23,770	76,322
8	<b>Operating Margin</b>	<b>(1,126)</b>	<b>1,626</b>	<b>9,739</b>	<b>10,239</b>
9	Indirect Expenses	6,824	6,096	7,806	20,726
10	<b>Total Margin</b>	<b>(7,950)</b>	<b>(4,470)</b>	<b>1,933</b>	<b>(10,487)</b>
11	Particip. Fee*	(3,001)	(2,383)	(4,576)	(9,961)
12	<b>Margin After Part. Fee</b>	<b>(10,951)</b>	<b>(6,853)</b>	<b>(2,643)</b>	<b>(20,447)</b>
13	<b>Stab. Fund (Inflow)+</b>	10,951	6,853	2,643	20,447
14	<b>Margin After Stab. Fund</b>	-	-	-	-

Note: Row 9 includes allocated central expenditures as described on slide 6, intra-campus overhead costs, and activity from non-RC colleges within the campus.



# FY20 Model Illustrative Output Observations

Based on the current output reviewed in the previous slides, the following interpretations can be made from the FY20 model output.

- **Pullman** total margin is a largely product of the baseline tuition and state appropriations allocations flowing resources to the campus of course instructor.
  - CAS has a highly positive margin, primarily due to the high instructional activity within the college and relatively low costs to educate.
  - CAHNRS and Vet Med have negative margins before Participation Fee Payments, primarily as a result of their unique operating models and high costs of teaching and research.
- **Spokane** total margin is largely a product of high costs to operate (direct expenses) relative to revenue allocations but breaks even before cost allocations.
  - CPPS has a positive unit margin after cost allocations, but before participation fee, primarily due to tuition revenues generated from its Professional programs.
- **Other campuses**, aside from Everett, break even before participation fees. Global finishes with a positive margin after A&S allocations and participation fees, primarily due to the adjustment of AOI A&S expenses out of the Global campus.
- **Other model notes:**
  - The collective 'Auxiliaries' margin is positive prior to cost allocations, but results in a negative margin after.
  - 'University Oper. Acct.' represents central financial activity not allocated to system units (e.g., Area 90, Central Reserves, etc.).
  - 'Pass Through' represents offsetting Pell activity, WA State Need Funding, and Higher Ed Long Term Loans.
  - 'Capital & Proj. Funds' represent capital and project funds that were previously included in the Facilities Services data.
- The **stabilization process** reflects an initial commitment to support margins across the System with available resources.

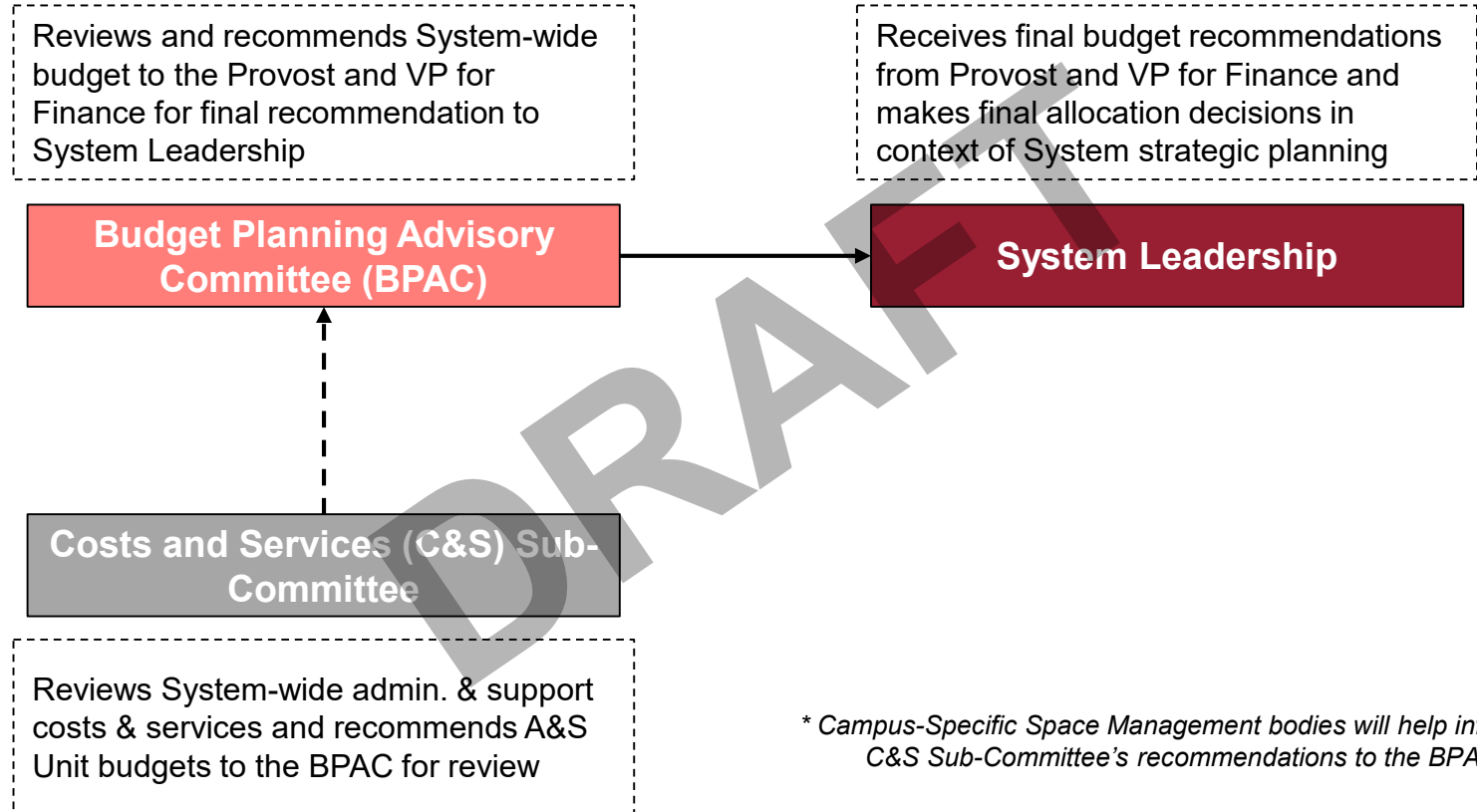




# MODEL GOVERNANCE

# Initial Governance Committee Structure

Guided by feedback from the EBC, the below governance structure has been designed to allow stakeholders to provide input prior to final decisions being made by a select group of System leaders.



**An initial proposal for committee charges, roles and responsibilities, and membership, based on feedback from the EBC, are detailed in the following slides to solicit further input.**



# Budget Planning Advisory Committee

The Budget Planning Advisory Committee (BPAC) receives input from the Costs & Services Subcommittee, ultimately forming a final recommendation to be shared with the Provost and Vice President for Finance and Administration.

## Charge:

- **Makes recommendations on allocations from the Stabilization Fund** at the campus, college, and System levels.
- Determines an appropriate course of action for A&S Units with budgets that are not approved by the Costs & Services Committee.

## Membership:

- Provost\* (Co-Chair)
- VP of Finance and Admin. (Co-Chair)
- System-wide representation including administrators, faculty, staff, and student governance

## Roles & Responsibilities:

- Evaluates System-wide revenue projections (e.g., overall gross tuition, financial aid, auxiliary fees) generated by Business Affairs.
- Reviews A&S Unit budgets submitted by the Costs & Services Committee and provides A&S Unit allocations to RCs to inform budget creation.
- Reviews RC budgets, submitted by Responsibility Centers after budget hearings.
- **Reviews Stabilization Fund requests and recommends allocations, including research-based strategic funding allocations.**
- **Recommends System-wide budget to Provost and Vice President for Finance & Administration for submission to the President.**

*\*Note: Provost's Office will maintain appropriate oversight of academic quality and System-wide efficiency and effectiveness in academic programming to avoid "gaming" of the system.*

# Costs & Services Sub-Committee

The Costs & Services (C&S) Sub-Committee supports the budget process and reviews budget requests of A&S Unit leaders, while prioritizing competitive and sufficient service levels across the System.

## Charge:

- Promotes collaboration between RCs and A&S Units.
- Helps coordinate realistic A&S service levels.
- Evaluates funding levels required to deliver A&S services.

## Membership:

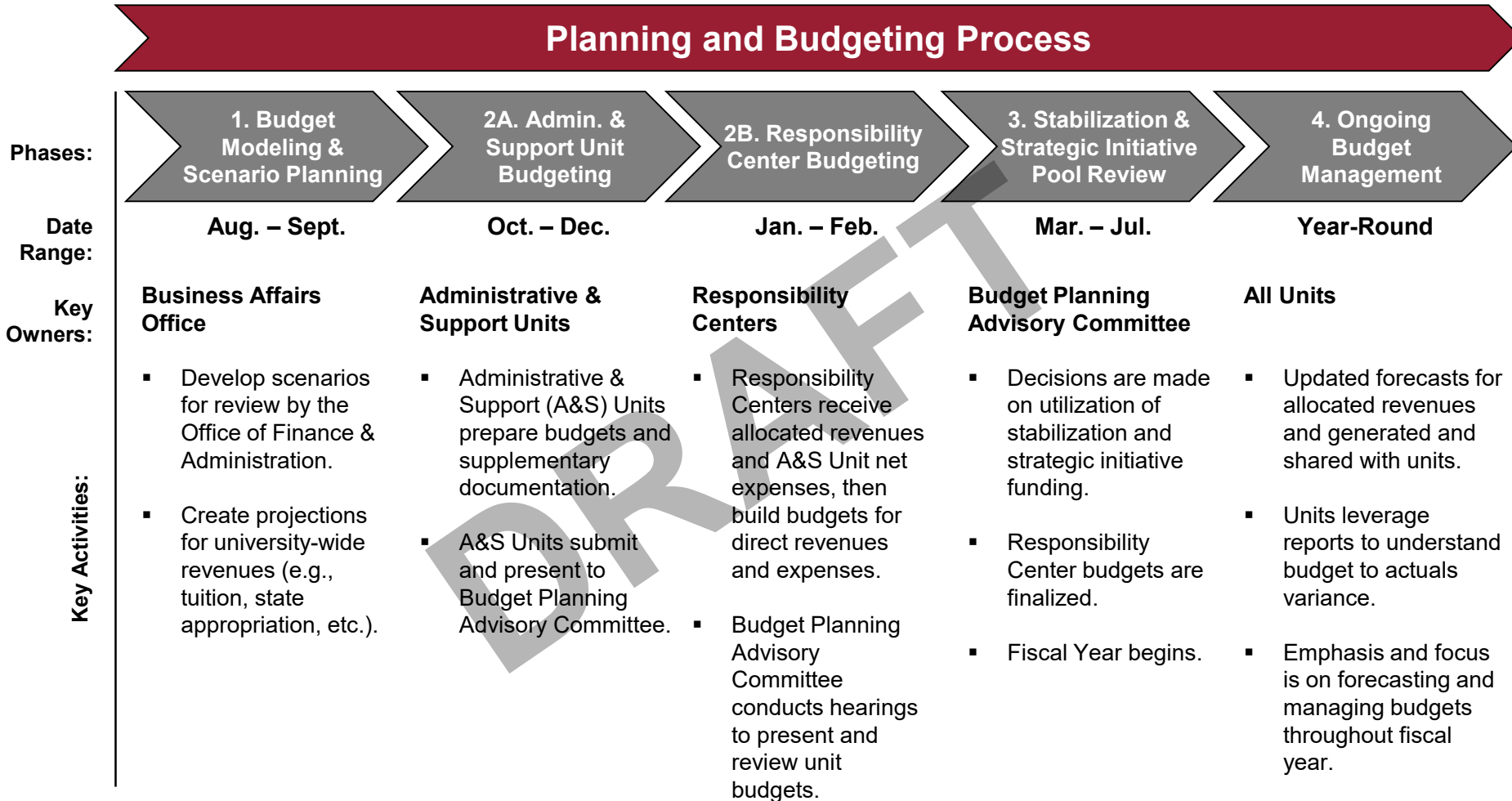
- VP of Finance and Administration (Chair)
- Auxiliaries Representative
- 1 Chancellor (or designee)
- 3 Deans (or designees)
- 2-3 A&S Unit Vice Presidents (including VP Research)

## Roles & Responsibilities:

- **Reviews A&S Units' budget proposals, including strategic objectives and service level demands.**
- Offers suggestions for performance improvement and promotes development of service-level agreements between RCs and select A&S Units.
- Oversees benchmarking by A&S Units to ensure costs are competitive with the market for those services.
- Reviews requests for waivers from contributions to A&S Unit budgets by specific RCs.
- Receives feedback from Campus-Specific Space Management Task Forces to incorporate into A&S Unit planning.
- **Submits a summary of A&S Unit budgets to the BPAC for review and final recommendation by Provost and Vice President for Finance & Administration, and then the President.**



# Budget Development Process Summary



**Additional details on key activities and stakeholders involved are available and will be reviewed in detail in future conversations.**

# Next Steps

1. Continue to refine model methodology
2. Continue build of additional year's model based on methodology supported by EBC in FY20 model
3. Establish processes for managing a parallel budget model process for FY23
4. Establish an initial budget model governance structure and reevaluate/refine at the end of FY23



# APPENDIX

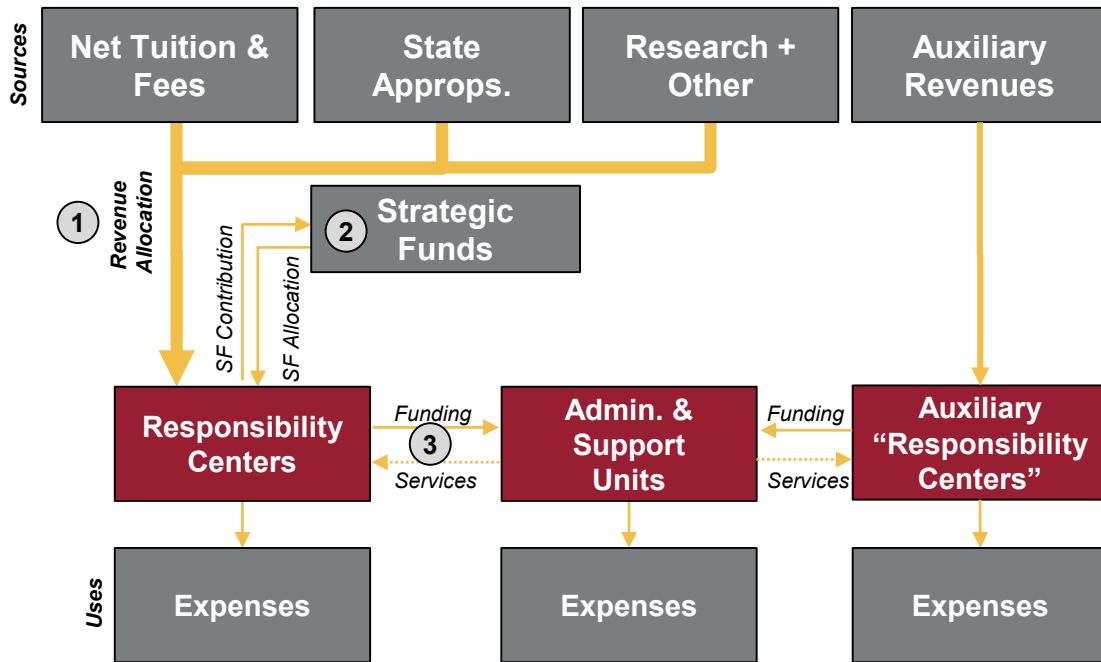
# FY20 Model Illustrative Output: Auxiliary Totals

Dollars in THOUSANDS—subject to change.

	1	2	3	4	5	6	7	8
		Athletics	Wilson Compton Union	Chinook Student Center	Student Recreation Center	Dining & Housing	Parking	Total Auxiliary Units
1								
2	Tuition	-	-	-	-	-	-	-
3	State Approps.	-	-	-	-	-	-	-
4	F&A	-	-	-	-	-	-	-
5	Other Revenues	54,144	3,932	2,154	4,643	75,274	5,051	145,198
6	<b>Total Revenues</b>	<b>54,144</b>	<b>3,932</b>	<b>2,154</b>	<b>4,643</b>	<b>75,274</b>	<b>5,051</b>	<b>145,198</b>
7	Direct Expenses	63,467	3,032	1,761	4,042	65,013	5,355	142,670
8	<b>Operating Margin</b>	<b>(9,323)</b>	<b>900</b>	<b>393</b>	<b>601</b>	<b>10,261</b>	<b>(303)</b>	<b>2,529</b>
9	Indirect Expenses	6,215	175	95	260	3,430	2,204	12,379
10	<b>Total Margin</b>	<b>(15,538)</b>	<b>724</b>	<b>298</b>	<b>341</b>	<b>6,831</b>	<b>(2,508)</b>	<b>(9,850)</b>
11	Particip. Fee	-	-	-	-	-	-	-
12	<b>Margin After Particip. Fee</b>	<b>(15,538)</b>	<b>724</b>	<b>298</b>	<b>341</b>	<b>6,831</b>	<b>(2,508)</b>	<b>(9,850)</b>
13	<b>Stab.Fund (Inflow)+</b>	15,538	-	-	-	-	2,508	18,045
14	<b>Margin After Stab. Fund</b>	-	<b>724</b>	<b>298</b>	<b>341</b>	<b>6,831</b>	-	<b>8,195</b>



# Model Design Structure & Definitions



## “Responsibility Centers” (RCs)

- Generate the university’s core revenues.
- Serve as targets for incentives to grow mission outputs and external funding.
- **Lenses through which university evaluates operating margin.**
- Includes campuses, degree-granting colleges, and auxiliaries.

## “Admin. & Support Units” (A&S Units)

- Provide essential services but generate limited external revenue on their own.
- Costs mostly funded via RC-generated revenues via allocations of net expenditures.
- **Evaluated primarily based on service delivery and not financial margin.**
- Includes all units not identified as Responsibility Centers.

- ① **Revenue allocations** reflect instruction, academic support, and research incentives for Campuses and Colleges.
- ② **Strategic funds (SF)** represent a portion of revenues 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.

# Executive Budget Council Members

The charge of the Executive Budget Council is to lead the budget redesign effort to support the new WSU System Strategic Plan and the One WSU system.

- **Elizabeth Chilton**, *Provost and Executive Vice President and Chancellor, Pullman Campus (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)*