

2020 OPERATING BUDGET REPORT

A Recap of Fiscal Year 2020 and Outlook for FY21

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Executive Overview

This report presents an overview of UW Bothell's operations in Fiscal Year 2019-2020 (FY20) and projections for Fiscal Year 2020-2021 (FY21), outlining last fiscal year's key takeaways and the current year's operations budget. This budget report highlights the continued strength of UW Bothell's financial health, but provides a reminder that the campus has to be prepared to deal with uncertainties amid the current COVID-19 environment. Our goals and expenditures should reflect the current environment of constrained budgets and we should be prepared to handle any unexpected downturns in revenues or increases in expenses.

In addition to the operating budget, this report also provides a comprehensive picture of all sources and uses of UWB funds including self-sustaining operations such as housing, dining and commuter operations, as well as Student Activity fee and Student Technology funds. Some of these operations such as housing, commuter services and dining services are experiencing revenue shortfalls. However, the good news is that we expect that these shortfalls will be offset by reduced costs of operations and by fund surpluses carried over from previous years.

Review of FY20 Policy Actions

In FY20, we went through an extensive exercise of rebasing our budgeting models to more closely reflect the student activity levels in our Schools. The exercise involved a thorough process of consultation with a wide cross-section of stakeholders and modeling various approaches and metrics. Based on this input, a committee chaired by the Vice Chancellor of Academic Affairs (VCAA) recommended to the Chancellor that we adopt a revised Responsibility Center Model (RCM) approach to determine funding allocations to our five Schools.

The Chancellor approved this proposal and, effective FY20, we shifted to a more transparent, metrics-based RCM approach wherein School funding is based on student full-time-equivalent (FTE), headcounts and the number of graduating students in each of the Schools. This approach has increased funding allocations for Schools that are experiencing student growth. During the course of the year, the renewed focus on RCM

empowered our School leaders to initiate actions that will help balance allocations and expenses by optimizing class sizes, number of sections offered and faculty utilization.

These budget model adjustments continue the work that was launched in 2017 of aligning our operating budget with RCM principles. In the FY19 year, process and policy recommendations on institutional carryover funds, RCM distribution across administrative divisions, campus planning alignment, and investment fund allocation were adopted and approved. Now that our campus strategic plan is finalized, a fifth process of defining institutional metrics will begin in FY21 in consultation with stakeholders to determine what we will choose to measure.

FY20 Operations and Projections for FY21

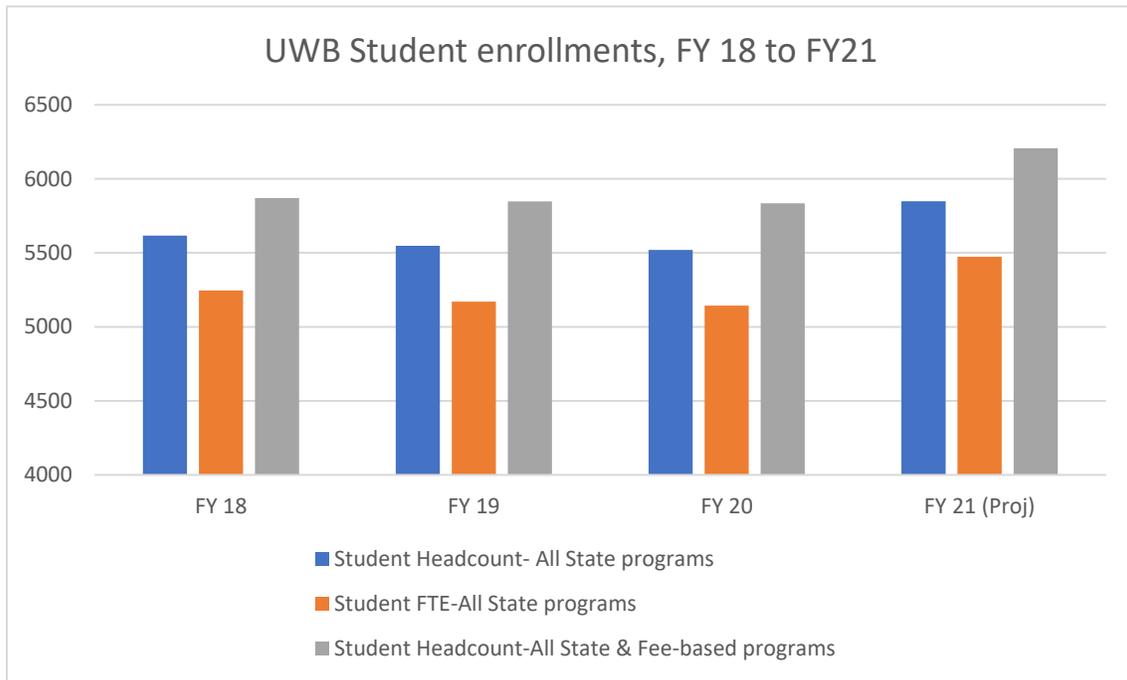
Review of Enrollments

Student enrollments are crucial to our operations because tuition accounts for more than 70% of our operating budget. This report provides a summary of student enrollments at UW Bothell.

Student enrollments are measured in several ways, depending on the use for the data. The most commonly used measures of enrollment are the number of actual students (headcounts) as well as the student full-time-equivalent (FTE). Here is a quick illustration of the difference: The typical undergraduate student is expected to register for 3 five-credit courses each quarter or 9 five-credit undergraduate courses over the academic year, (i.e., earn 45 undergrad credits per year in order to graduate in four years with 180 credits). A student who registers for 45 credits over the academic year counts as *one* student for both headcount and student FTE purposes. A student who registers for fewer credits, say, 30 undergraduate credits over the year, is counted as *one* for headcount purposes but as *0.67* for student FTE. Along the same lines, a third undergraduate student who registers for 60 credits counts as *one* for headcount purposes but as *1.33* for student FTE.

In the case of graduate students, the typical graduate student is expected to enroll for 30 graduate credits over the academic year. If graduate students register for more than 30

credits per year, the graduate FTE will exceed the graduate headcount and, if they register for less than 30 credits, the FTE will be lower than the headcount.



	FY 18	FY 19	FY 20	FY 21 (Proj)
<u>Student Headcount</u>				
Undergrad programs	5278	5304	5286	5578
State-based Grad programs	338	244	234	271
ALL STATE-based programs	5616	5548	5520	5849
Fee-based Grad programs	254	299	316	355
ALL State & Fee-based programs	5870	5847	5835	6206
<u>Student FTE</u>				
Undergrad programs	4939	4946	4942	5226
State-based Grad programs	307	224	202	248
ALL STATE-based programs	5246	5170	5144	5474

The chart and the data table above provide the average student enrollments over the last three years, FY18 to FY20, and projections for FY21(updated in Autumn 2020). The table shows that the total undergraduate headcounts and student FTE's have remained stable over the FY18 to FY20 period, with decreases in some Schools being offset by increases in others. However, the state-supported *graduate* enrollments show a dramatic

decline from FY18 to FY20, though the fee-based graduate programs make up for some of these declines. However, there is good news on the horizon. Based on Autumn 2020 trends, it appears that our FY21 undergraduate, state-supported graduate and fee-based graduate headcounts and FTE's are all projected to increase, with several Schools hitting all-time highs. The overall student headcount in FY21 is expected to be about 6% higher than in FY20.

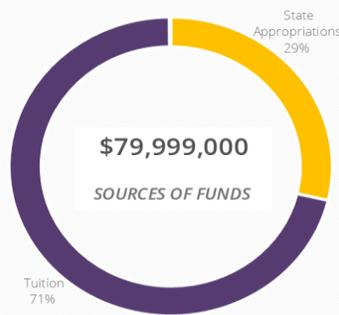
Given the centrality of enrollments to our operational budgets, these enrollment numbers are closely tracked by campus and school leadership, and are extensively used for planning and operations.

Review of Operating Budget

In this section, we provide information about sources of operating funds and their allocation to different uses/unit. The main sources of operating funds for UW Bothell are (a) tuition revenue generated from undergraduate and state-supported graduate programs, and (b) state appropriations. Fee-based graduate programs are treated as auxiliary self-sustaining activities, so the revenues and costs of those programs are not part of the general operating budget.

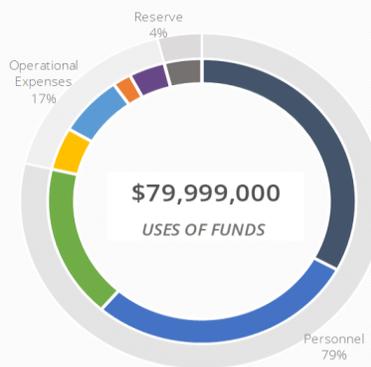
The FY20 general operating budget had a total revenue of about \$80M, comprised of \$23M in state appropriation and \$57M in tuition. As widely reported in the press, the share of state support in the operating budget has declined over time, from 82% in 1991 when the campus was founded, to about 29% in FY20. It is likely that we may experience further declines in State support as the State continues to grapple with multiple demands on scarce resources.

WHERE DOES OPERATING BUDGET FUNDING COME FROM?



		
28.7% State Appropriations \$22,920,000	71.2% Tuition \$56,980,000	0.1% Other Tuition \$99,000
All state Appropriations, including Proviso, Compensation support and General funds	Comprehensive Tuition generated from University of Washington Bothell Students	Tuition generated from partnerships with other UW system programs (e.g. Pharmacy & UWB Business)

HOW IS FUNDING USED?



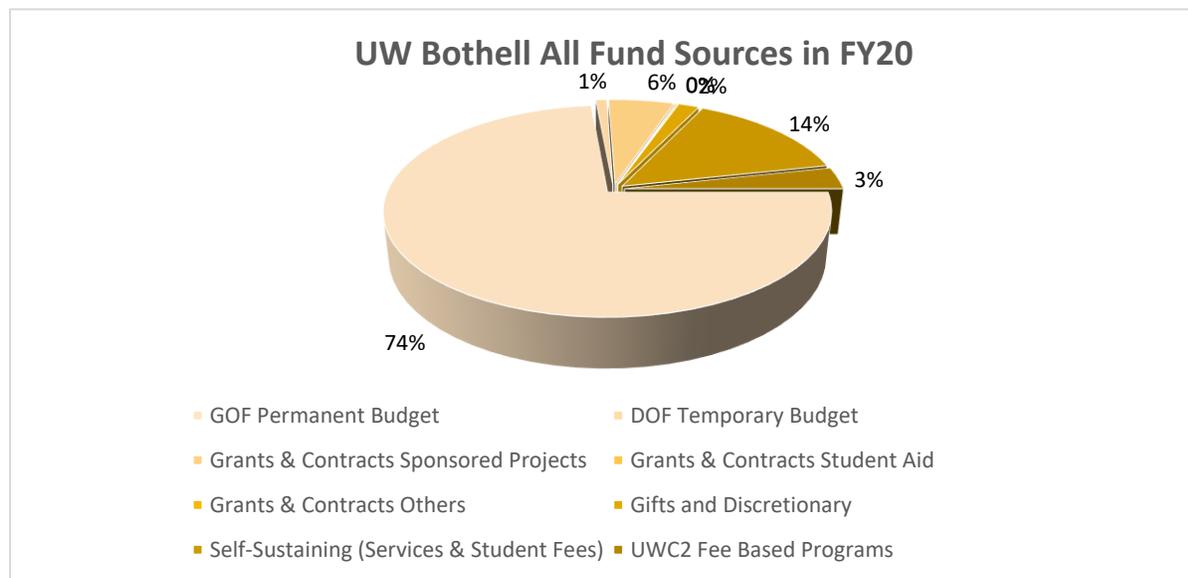
			
33.0% Faculty \$26,380,000	28.3% Staff & Grad/Student \$22,671,000	17.3% Benefits \$13,856,000	4.8% School & Division Ops \$3,864,000
Expenditures associated with operating budget Faculty positions	Expenditures associated with operating budget Staff positions & other non-faculty positions	Benefits associated with all salaries operating budget positions	Non-salary & benefit expenditures within Divisional units and Schools
			
6.9% UW Overhead \$5,493,000	1.9% Utilities & Fixed Costs \$1,551,000	3.8% Leases & O&M \$3,038,000	3.9% Reserve Contribution \$3,146,000
Operating budget overhead directed to Seattle for central services	Fixed costs supporting core camps functions including utilities and recurring services and systems	Recurring commitments for leased facilities (Beardslee Crossing, Beardslee Bldg., Husky Hall, ELC)	Annual unspent permanent operating budget, contributing to institutional temporary reserves

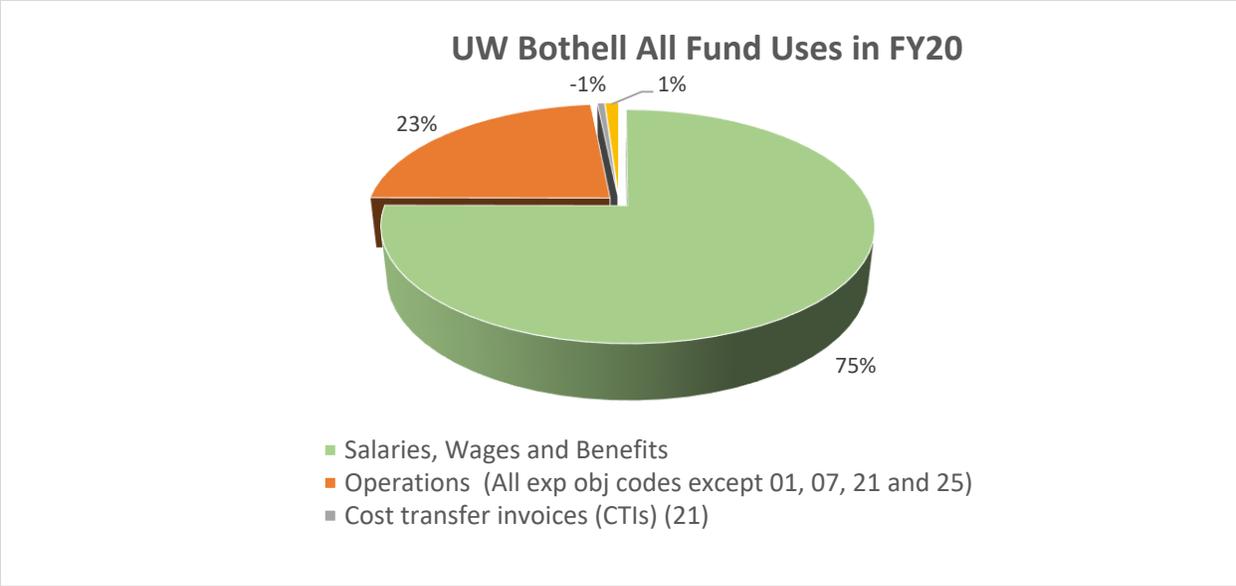
In Table 1, we detail the sources of operating funds for the last two fiscal years, as well as projections for FY21. It should be noted that the FY21 financial budget projections were made in July 2020, and as such, do not reflect the additional tuition revenues associated with the unexpected increase in Autumn 2020 enrollments. At the end of Table 1, we show that these additional tuition revenues may be as much as \$2 million if enrollment trends hold for the rest of FY21, but we also expect to have a mid-year reduction of \$1 million from state overhead resources. The resulting net increase of \$1 million will be added to the resource pool for FY22.

The resources from tuition and state support are allocated to academic units, administrative units, and to central costs and reserves as shown in Table 1. About seventy percent of tuition revenue is set aside for the academic units, which in turn is allocated to the five Schools and First Year & Pre-Major Program (FYPP) using the approved RCM methodology. The remaining tuition funds and state resources are allocated to the administrative units and central pool to pay for common campus services. Each of the units then uses their allocation to pay for salaries, benefits and operations.

Review of Comprehensive Budget

In addition to tuition and state support, UW Bothell also receives grants, gifts, fee-based program income, self-sustaining services and student activity/technology fees. In Table 2, we present a comprehensive budget showing all the sources of funds available to UW Bothell. It is very important to note that this comprehensive budget is a summation of multiple budgets, and that each of these budgets has its’ own rules on how the funds can be spent. For example, grants and gifts can only be spent as per the grant/gift conditions, and student activity/technology fee budgets are entirely controlled by elected student bodies. This comprehensive budget is provided only to present a complete picture of the full range of resources that are available and used across the Bothell campus.





Overall, in FY20, the comprehensive total expenditures in FY20 were below the total revenues, resulting in a temporary surplus carried over to FY21. We have also projected a small temporary surplus for FY21, but it is very possible that we could end up with a small deficit instead, depending on the actual auxiliary revenues and expenses.

It will not come as a surprise that many of our self-sustaining, auxiliary operations have been heavily impacted by COVID-19 and subsequent campus closures and activity reductions. The major Auxiliary units on campus (Commuter Services, Housing & Dining Services), all experienced significant and unplanned revenue losses starting in Spring Quarter 2020. Revenue impacts will continue through FY21. Each of the units has engaged in expense mitigation practices to reduce losses, though the bulk of unit expenses are fixed in nature and/or required for Debt Service, Utilities, and Maintenance costs.

Conclusions and Recommendations

At a time when public and private university budgets across the nation are facing severe stresses leading to elimination or consolidation of educational programs, and significant reductions in faculty and staff employment, we are glad to report that the financial health of UW Bothell is fundamentally stable. All our academic and administrative divisions have managed to keep their expenditure within their FY20

allocations and many have managed to carry over funds to FY21. These carryover funds can be used to temporarily offset any unexpected revenue shortfalls or to incur additional expenditures in the short-term. However, given our pause in enrollments and the shift in the mix of our student populations towards fewer non-resident undergrads, fewer grads and more resident undergrads, we should continue to exercise restraint and be prepared to handle revenue reductions even if the total enrollments remain the same. On the costs side, we should be prepared to handle pressures arising from salary and wages increases for faculty and staff, increases in real estate lease costs, operations and maintenance, and the need for equipment replacements, upgrades, deferred maintenance and other physical infrastructure improvements.

Table 1: UWB Operating Budget – GOF Sources & Allocations

	<u>FY19 Actuals</u>	<u>FY20 Actuals</u>	<u>FY21 Proposed</u>
SOURCES OF FUNDS			
State Appropriations	21,911,608	22,920,912	23,211,000
Net Tuition	56,492,566	57,079,014	57,400,230
Undergraduate Tuition	52,696,514	53,276,432	53,577,707
Graduate Tuition	3,697,179	3,703,709	3,724,510
Other Tuition	98,873	98,873	98,013
TOTAL SOURCES	\$78,404,174	\$79,999,926	\$80,611,230
FUNDS ALLOCATION			
Academic Units			
School of Business	7,798,391	7,607,955	7,397,610
School of Educational Studies	2,685,736	2,588,000	2,609,400
School of Interdisciplinary Arts & Sciences	10,059,601	10,171,200	9,801,700
School of Nursing & Health Studies	3,255,580	3,389,900	3,501,800
School of STEM	12,091,405	13,355,622	15,025,722
First Year & Pre-Major Programs	1,787,721	1,400,000	1,600,000
Total Allocation to Academic Units	\$37,678,434	\$38,512,677	\$39,936,232
Administrative Units			
Chancellor's Division	6,644,160	6,830,515	6,844,300
Academic Affairs Division	7,518,264	6,909,280	6,923,200
Planning & Administration Division	12,383,527	13,483,034	13,399,758
Advancement & Ext Relations Division	2,583,778	2,647,255	2,652,600
Total Allocation to Administrative Units	\$29,129,729	\$29,870,084	\$29,819,858
Central Costs and Reserves			
Administrative Overhead (Seattle)	5,572,088	5,493,004	5,470,000
Workday HRP payments	289,621	302,000	302,000
Leases & O&M	2,827,675	3,038,357	3,083,000
Facilities Asset& Refresh	1,000,000	1,000,000	1,000,000
Other Campus operations	906,630	783,804	-
Transfer to Institutional Reserve	1,000,000	1,000,000	1,000,000
Total Allocation to Central	\$11,596,014	\$11,617,165	\$10,855,000
TOTAL ALLOCATED FUNDS	\$78,404,177	\$79,999,926	\$80,611,090
Potential Changes to Proposed FY21 Budget			
Mid-year state-budget reduction			\$ (1,053,140)
Undergraduate Tuition increase/(decrease)			1,776,759
Graduate Tuition increase/(decrease)			302,062
Total changes (to be finalized in July 2021)			\$ 1,025,681

Table 2: UW Bothell Comprehensive Budget – All Sources and Uses

	<u>FY20 Actuals</u>	<u>FY21 Projected</u>
BUDGET AUTHORITY/REVENUES		
General Operating Fund (includes provisos)		
GOF Permanent Budget	\$ 79,999,926	\$ 80,611,230
GOF Temporary Budget	249,137	250,000
DOF Temporary Budget	1,045,261	1,000,000
Restricted Operating Fund		
Grants & Contracts Sponsored Projects	6,164,347	6,200,000
Grants & Contracts Student Aid	152,910	150,000
Grants & Contracts Others	125,185	125,000
Gifts and Discretionary	1,942,054	1,500,000
Self-Sustaining (Services & Student Fees)	15,751,390	11,600,000
UWC2 Fee Based Programs	3,732,640	3,750,000
TOTAL BUDGET AUTHORITY & REVENUES	\$ 109,162,849	\$ 105,186,230
EXPENDITURES		
Salaries, Wages and Benefits		
Faculty and academic personnel (01-10)	\$ 28,751,828	\$ 29,039,346
Graduate Students (01-30, 01-40)	538,051	543,431
Classified staff (01-60)	8,607,073	8,693,144
Professional staff (01-70)	18,621,846	18,808,065
Temporary staff (01-80)	3,760,452	3,798,056
Employee benefits (07)	17,281,928	17,264,646
Subtotal Salaries, Wages and Benefits	\$ 77,561,179	\$ 78,146,690
Operations (All exp obj codes except 01, 07,	24,097,461	24,579,410
Cost transfer invoices (CTIs) (21)	(586,301)	(250,000)
Indirect Cost (25)	1,098,393	1,000,000
TOTAL EXPENDITURES	\$ 102,170,733	\$ 103,476,100
Net Contribution to (Use of) Fund Balance	\$ 6,992,116	\$ 1,710,130