

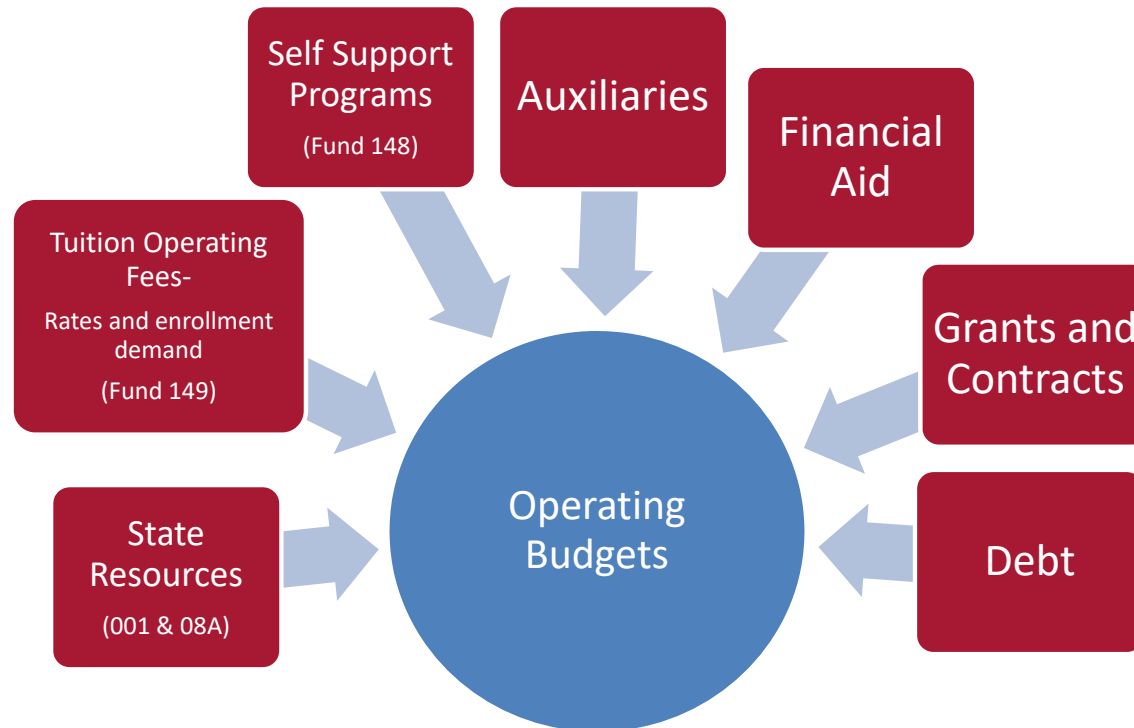
# 2021 Supplemental Operating Budget

---

*May 29, 2020*

*First Read*

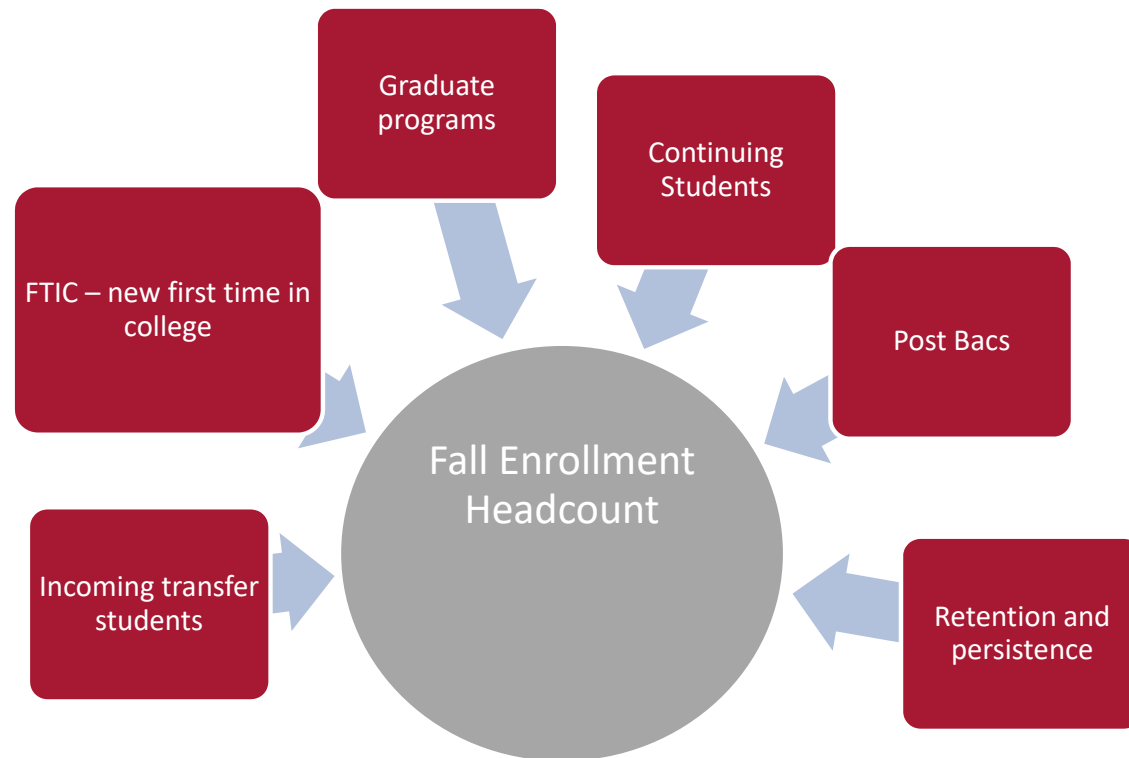
# Impacts to Eastern's Budget Planning



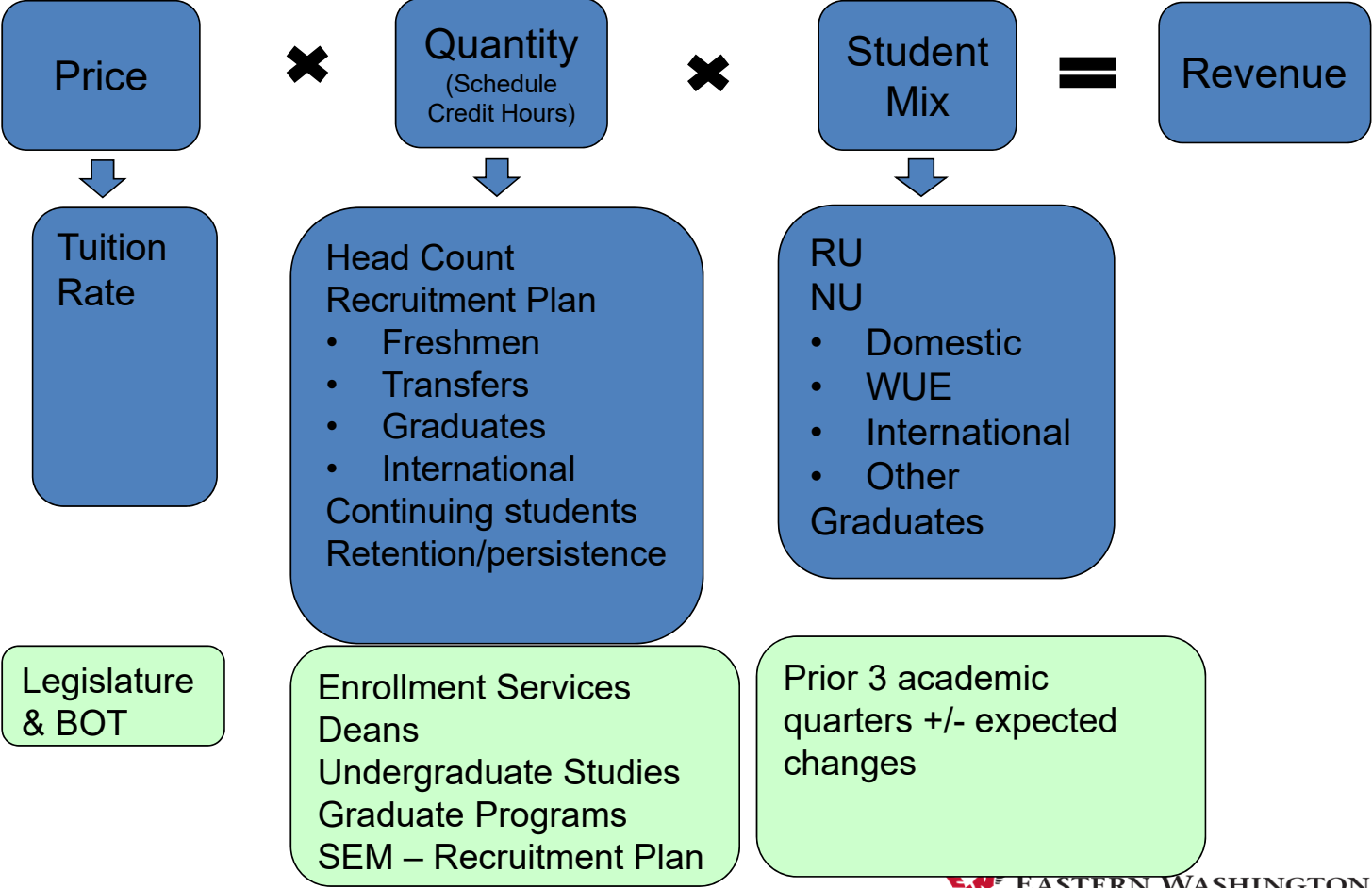
# Planning the Future

- Ensure sustainable financial environment
  - Eastern's market position, enrollment, and financial pressures closely track the sector outlook
- Enrollment situation (therefore financial) continues to erode due to COVID 19 impacts
- Key financial drivers and impacts
  - Overall enrollment trajectory
  - Restructure/resize institution
  - Tuition revenue
  - Other student fee related revenue tied to enrollment
  - State funding and tuition policy
  - Fundraising
  - Cost containment
  - Institutional gift aid
  - Investment in new programs and delivery
  - Strategic investments to position for the future

# Enrollment- Index 1 (state supported)

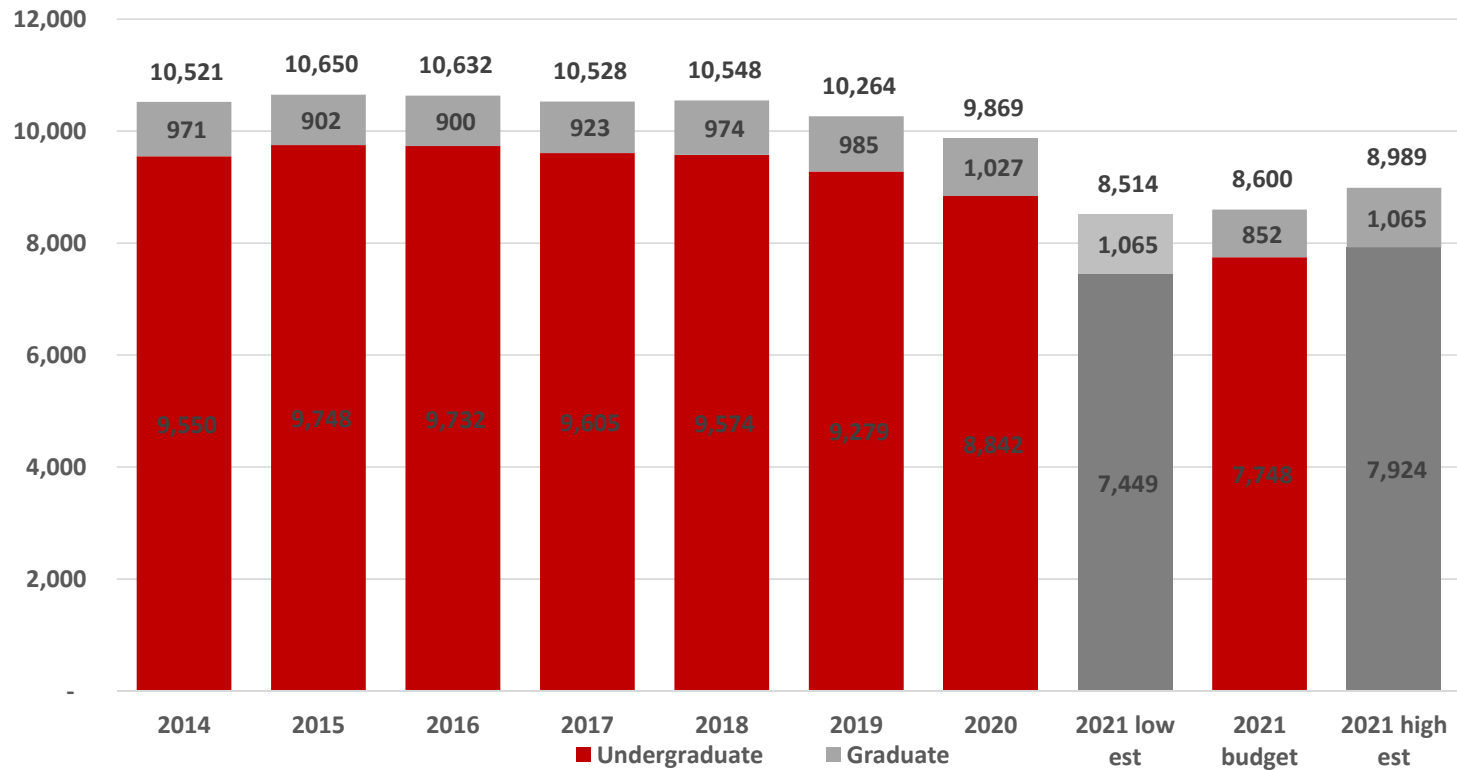


# Tuition Revenue Forecasting Overview





## Index 1 - Average Annual Headcount



Note: FY 21 estimates reflect 256 HC international removed

# Budget History- Core Operating Budget Index 1

- 2009-11
  - \$26.6 million reduction state support
  - Use of reserves \$2.2 million
  - Additional tuition revenue \$3.7 million
  - Personnel reduction 91.5 FTE
- 2011-13
  - \$24.8 million reduction state support
  - Use of reserves \$6.8 million
  - Additional tuition revenue \$4 million
- 2013-15
  - Enrollments begin to flatten
  - Legislature begins to reinvest in HE
  - Tuition rates unchanged
  - Investment in student success initiatives
- 2015-17
  - College Affordability Act is passed
    - 20% tuition rate reduction
    - State appropriation backfill
  - Enrollments begin to taper
  - Revenue growth slows
- 2017-19
  - Enrollments taper with pronounced impact in FY19
  - 3% reduction FY19
  - Use of reserves \$3.5 million for revenue shortfall
  - State policy changes for tuition and compensation
- 2019-21
  - Enrollments continue to taper
  - 3% reduction FY20
  - FY20 planned use of reserves \$4 million
  - FY20 COVID 19 impacts
  - FY21 COVID 19 impacts



# 2019-21 Biennium Planning

- Each division requested to submit a plan with a 3% realignment goal for each FY20 & FY21.
  - FY20 goal approximately \$3.6M – completed and in place
  - FY21 goal approximately \$3.5M – completed and to be implemented 7/01/20
- Self support units
  - Manage labor costs to slow overall expense growth
  - Continue with net revenue model
- Hiring freeze
- Limiting overtime and travel
- Removal of 1/1/19 non-represented pay increase
- Removal of 7/01/20 non-represented pay increase

*Looking forward- budgetary realignment is expected to occur more frequently in future biennia due to market conditions*

# EWU Budget Environment

- **Impact of state policy decisions**
- **Enrollment**
  - Index 1 enrollment began slowly tapering in FY2016, yet was generally stable until Fall 2018
  - Fall 2018 Index 1 enrollment decreased 1.5% from Fall 2017
  - Index 1 FY2019 AAHC 10,264
  - Index 1 FY2020 AAHC 8,969
- **Phase 1**- 3% budget realignment due to state policy and enrollment environment has been completed by each division.
- **Phase 2** – 3% budget reduction due to enrollment has been completed by each division

# Budget Realignment by Division- Index 1

## Phase 1

	FY 2021 Budget	Reduction Goals
Office of the President	\$1,406,245	\$(42,187)
Intercollegiate Athletics	5,794,225	(173,827)
Academic Affairs	72,905,410	(2,187,162)
Business & Finance	32,873,750	(915,803)
Student Affairs	5,708,810	(169,764)
Advancement	3,977,774	(119,333)
Diversity and Inclusion	699,710	(20,991)
Reserves	3,301,076	0
<b>Total</b>	<b>\$126,667,000</b>	<b>0</b>
<b>Recharges</b>	<b>2,397,000</b>	<b>0</b>
<b>Total</b>	<b>\$124,270,000</b>	<b>\$(3,629,067)</b>

## Slide 11

---

**LR1** Consider this slide formatted similar to Phase 2  
Lexy Rosebrook, 5/7/2020

# Division Realignment Impacts- Phase 1

## \$3.6 million

### Academic Affairs

- Review the number of Deans
- Faculty release time considerations
- Eliminated predominantly vacant administrative positions

### Business and Finance

- Eliminate mostly vacant positions
- Reduction in term positions
- Reduce operation costs

### Student Affairs

- Reduction of direct or operating expenses
- Elimination of vacant positions
- Reinvesting additional savings for the future

### University Advancement

- Elimination of vacant positions

### Athletics

- Realigned scholarships and grants
- Reduction of direct expenses

### Diversity & Inclusion

- Reduction in term position

### Office of the President

- Position Realignments
- Reduction in operating costs

# Budget Realignment by Division- Index 1 Phase 2

	FY 2021 Budget As of 5/07/20	Reduction Goals
Office of the President	\$1,384,627	\$(41,353)
Intercollegiate Athletics	6,925,438	(203,652)
Academic Affairs	74,910,016	(2,170,033)
Business & Finance	33,127,374	(831,774)
Student Affairs	4,427,294	(130,238)
Advancement	3,947,654	(117,613)
Diversity and Inclusion	674,019	(20,266)
Reserves	1,889,578	0
<b>Total</b>	<b>\$127,286,000</b>	<b>0</b>
<b>Recharges</b>	<b>2,397,000</b>	<b>0</b>
<b>Total</b>	<b>\$124,889,000</b>	<b>\$(3,514,929)</b>

# Division Realignment Impacts- Phase 2

## \$3.5 million

### Academic Affairs

- Faculty tenure buyout savings
- Elimination of positions
- Reclassification of positions
- Administrative realignment savings

### Business and Finance

- Elimination of vacant positions
- Reduction in positions
- Reduction in term positions
- Reduce hourly positions
- Reduce operating costs

### University Advancement

- Elimination of vacant positions

### Athletics

- Elimination of Positions

### Diversity & Inclusion

- Function split between Academic Affairs, Student Affairs, and Business & Finance

### Office of the President

- Elimination of position

### Student Affairs

- Reduction of direct or operating expenses
- Elimination of vacant positions
- Reinvesting additional savings for the future



# **OPERATING BUDGET FISCAL YEAR 2021**



# Revenue Impacts FY21

## Index 1

- AAHC estimated at 8600
  - 14% estimated decline
  - Includes international student decline of 250 HC
- Operating fee revenue reduction greater than **\$12M** (net of tuition increase)
- Special legislative session - potential
  - State is estimating a \$7 billion revenue shortfall
  - Anticipating reduction in FY21 state operating appropriations
    - Current request is to model a 15% reduction of \$9,904,000
    - HB 2158 Workforce Education funding \$2.5 million
  - Potential impact on state capital appropriations
  - FY21-23 biennium additional anticipated reductions of sizeable scale

## Self Support

- Campus summer activities will likely be curtailed with resulting revenue impact > \$1 million
- Running Start and College in the High School potential program impacts
- Housing & Dining fall term minimal occupancy, potential system revenue shortfall > \$12 million
  - Live on requirement waived for FY21 only
  - Projections include 600 HC in halls
- Other business units impacted by number of persons on campus
- Student fees and self support programs may also experience lagging revenues



# Planning the Way Through

## Personnel

- Hiring freeze
- Efficiencies/reorganization
- Reduction in force
  - Classified
  - PSE
  - Non represented exempt
  - Faculty
  - Hourly and Student employees
- Reduction in term
  - Represented and non-represented
  - Best fit

## Operations

- Travel restrictions
- Reduction of direct expense budgets
- Deferral of maintenance and repairs
- Delayed small projects

# Use of Cash Reserves

- Index 1 Carryforward budget authority for one-time budget alignment
  - Represents unspent expenditure authority in prior years (cash on balance sheet)
  - If revenue goal is not met, carryforward budget authority is reduced
  - May be one source of funding when permanent reduction is not completed by defined date
- Other indexes (funds) lapse expenditure budget authority on June 30.
  - Reserves in these funds represent residual cash from prior years' net income/loss operations
  - Self support units generally use residual cash for one time strategic investments or, if approved, anticipated revenue shortfalls or unanticipated expenses.

# Index 1

## Index 1 Enrollment and Tuition

- Enrollment 8600 AAHC
- Operating fee revenue estimated decline \$12 million
- Estimating no international students

## State Appropriations

- OFM allotment decline \$9.9 million
- OFM indicates significant reduction continuing through FY21-23 biennium
- Federal CARES \$4.99 million

# 2021 Tuition and Fees

- Tuition rate increases
- Mandatory fees
- Housing & Dining rates



# 2019-21 Operating (Tuition) Fee Assumptions

	FY2020	FY2021
Headcount expectation– state supported	9,950	8,856
International Impact- in addition to above		-256
Net HC for budgeting purposes		8,600
Operating Fee -Resident Undergraduate	2.4%	2.5%
Operating Fee - Other	2.4%	2.5%
EWU Financial Aid	4%	4%

# Total State Funding and Operating Fees

## Index 1

	FY2020	FY2021	2019-21 Total
General Fund State	63,508,000	66,024,000	129,532,000
GFS Allotment Reduction (15% of GFS, unofficial, not included in total)		-9,904,000	-9,904,000
State Funding HB 2158	1,995,000	2,455,000*	4,450,000
Operating (Tuition) Fees	59,620,000	46,984,000*	106,604,000
Recharges	2,397,000	2,856,694	5,253,694
<b>Total</b>	<b>127,520,000</b>	<b>118,319,694</b>	<b>245,839,694</b>

Projections as of 5/06/20 and subject to change based on fluidity of enrollment environment and potential state reductions due to COVID 19

\*indications are that this funding will not be available due to COVID 19 state revenue projections

\* Operating fee projections are significantly reduced due to enrollment declines

**State General Fund:** To account for all financial resources of the state except those required to be accounted for in another fund. The general fund is the principal state fund supporting the operation of the state.

**HB2158:** 2019-21 legislative session. An act relating to creating a workforce education investment to train Washington students for Washington jobs. Amends various statutes in RCW 28B.

**Operating Fees Fund 149:** Local fund used by institutions to account for operating fees and related investment income.

**Recharges:** Internal service funds that exist to account for services provided within the institution from one department to another.



**EASTERN WASHINGTON UNIVERSITY**

# **SELF SUPPORT INDEX 2 AND AUXILIARIES**



# Self-Support Budgets

- Revenue impacts related to programming, enrollment, fees
- Expense level within annual revenue levels
- Manage labor cost to slow growth
- Use of fund balance- Zero unless strategic necessity at less than 5% annually
- Retain appropriate level of annual reserves to fund emergent needs

# Local Dedicated

## Index 2

### Significant Funding Sources

- Running Start/High School Programs
- Eastern On-Line
- Summer Session
- Student Technology Fee/Health & Wellness Fee
- Course Fees
- Program Fees

COVID 19 impacts on these revenue sources are unknown and estimates may change

# 2019-21 Local Dedicated Funds

## Index 2

	FY2020			FY2021		
	Revenue/ Additions	Expenditures/ Deductions	Change in Unrestricted Net Assets	Revenue/ Additions	Expenditures/ Deductions	Change in Unrestricted Net Assets
Academic Affairs	\$33,216,167	\$29,649,532	\$3,566,635	\$38,200,000	\$34,700,000	\$3,500,000
Business & Finance	\$10,575,350	\$10,516,459	\$58,891	\$9,400,000	\$9,300,000	\$100,000
Student Affairs	\$4,924,750	\$5,030,219	(\$105,469)	\$5,000,000	\$5,000,000	0
Advancement	0	0	0	\$100,000	\$100,000	0
*Information Technology	\$1,319,682	\$1,714,790	(\$395,108)	\$1,300,000	\$1,300,000	0
<b>Funds Total</b>	<b>\$50,035,949</b>	<b>\$46,911,000</b>	<b>\$3,124,949</b>	<b>\$54,000,000</b>	<b>\$50,400,000</b>	<b>\$3,600,000</b>

These funds finance their own asset renewal and replacement.

COVID 19 impacts on these revenue sources are unknown and estimates may change

# 2019-21 Auxiliary Funds

## Index 3

	FY2020			FY2021		
	Revenue	Expense/ Debt	Change in Unrestricted Net Assets	Revenue	Expense/ Debt	Change in Unrestricted Net Assets
<b>Housing &amp; Dining</b>	25,619,228	23,732,939	1,886,289	12,141,156	14,151,126	(2,009,970)
<b>S&amp;A Fee Fund</b> (net of Housing debt and financial aid)	11,163,137	11,135,887	27,250	11,200,000	11,100,000	100,000
<b>Recreation Center Fees</b>	255,000	253,000	2,000	260,000	258,000	2,000
<b>Intercollegiate Athletics</b>	6,972,800	6,972,800	\$0	6,825,000	6,825,000	-
<b>Bookstore</b>	5,604,000	5,567,070	36,930	4,654,000	4,513,422	140,578
<b>Pence Union Building</b>	1,605,000	1,358,238	246,762	1,600,000	1,500,000	100,000
<b>Parking</b>	1,092,040	1,146,666	(54,626)	443,724	442,575	1,149
<b>Auxiliary Funds Total</b>	<b>\$52,311,205</b>	<b>\$50,166,600</b>	<b>\$2,144,605</b>	<b>37,123,880</b>	<b>38,790,123</b>	<b>(1,666,243)</b>

These funds finance their own asset renewal and replacement.

Significant COVID 19 impacts on these revenue sources are anticipated and budget plans are under review

# Housing and Dining Rates

	FY2021 Fall Term Rate	FY2021 Annual Rate
Standard Single/Base Meal Plan	\$4,307	\$12,130
Premium Single Room/Base Meal Plan	\$4,837	\$13,657

Due to COVID-19, only single rooms will be offered.  
Revision of meal plan to base model at \$4500 annually and upgrade model at \$5850

# Housing and Dining System

- Housing & Dining is a system
  - Includes events planning, catering, and apartments
- Occupancy and meal plans
  - Fall projection 550-600 students
  - Approximately 37% of Fall 2019
  - Single rooms only
  - Revised room and board rate structure
- Reduction in staffing and variable operating costs
- Proforma- expense reduction planning in process
- Net revenue pledge at 125% of debt service \$1,482,800
- Brewster Hall lease \$385,000
- Debt covenants
- Voluntary disclosure (anticipated June 2020) for issues related to COVID-19
- Annual continuing disclosure

# FY21 Intercollegiate Athletics

## Indexes 1 and 3

Athletics Budget	Revenue	Expenses
Index 1 (after 23% reduction)	\$5,328,343	\$5,328,343
Index 3	\$6,825,000*	\$6,825,000
<b>Total</b>	<b>\$12,153,343</b>	<b>\$12,153,343</b>
<b>Projected net revenue</b>		<b>\$0</b>

- Due to significant institutional revenue declines, the \$2 million financial subsidy previously approved by the BOT is infeasible and Athletics is planning to reduce the expenditure budget by this amount to remain in a balance budget position.
- The presented budget reflects a 23% decline in institutional funding (index 1)
- The presented budget anticipated at 22% decrease in S&A fee funding (\$475,000)
- \* Athletics revenue may be significantly impacted due to COVID 19

# Intercollegiate Athletics FY21 Planning

- Resources-overall reduction
  - Index 1 \$1,634,775 or 23%
  - Student service and activity fees \$475,000 or 22%
- Uses- reduction
  - Operating costs \$1,448,541
  - Staffing impacts \$670,236
    - Reduction in positions
    - Reduction in term



## Intercollegiate Athletics planning for the future state

- EWU is in process of retaining a consultant to perform a benchmarking analysis and assessment through a written feasibility report which will focus on the following:
  - Current revenue and sponsorship streams
  - Current university enrollment trends
  - Salary analysis
  - Staffing analysis
  - Facilities benchmarking and analysis
  - Athletic financial aid assessment
  - Academic support and performance
  - Sports offered by Eastern
  - Conference membership assessment
  - Pro Forma analyses for recommended future models
  - Additional items as may be identified by university leadership
  - Options regarding NCAA division levels and recommended courses of actions for the university based on the outcome of the assessments performed.

# Student Fee Fund

- General Student Service and Activities Fee
- Recreation Center Fee
- Pence Union Building Fee
- Transportation Fee
- Student Activities
  - Includes staff
- Facility maintenance and repair
- Equipment replacement (URC)
- Debt service PUB and URC
  - Gross revenue pledge debt covenant
  - URC debt service \$1,413,940
  - PUB debt service \$1,903,856
  - Voluntary disclosure (anticipated June 2020) due to COVID-19 issue
  - Annual continuing disclosure

# Student Service and Activity Fee Fund

## Index 3

Sources	FY2021
S&A Fees (part of tuition) based on 2.5% increase	\$6,247,184
Recreation Center Fee	\$1,801,645
PUB Fee	\$2,317,645
Transportation Fee	\$645,000
Clubs (use of activity generated revenue)	\$173,750
<b>Total Revenues</b>	<b>\$11,186,824</b>

### Services and Activities Fee Committee

- Proposes to the administration and governing board program priorities and budget levels for the Services and Activities Fees
- Comprised of 12 members: six students, four university members, and two ex-officio members
- The SAFC has approved a 2.5% fee increase

# Student Service and Activity Fee

## Index 3

<b>Allocations</b>	<b>FY2021</b>
Debt Payments	\$3,317,797
S&A Fee Allocation	\$2,853,665
Athletics	\$1,700,000
Housing Allocation	\$645,000
Transportation Contract	\$645,000
Financial Aid, Admin Cost	\$498,519
Clubs (use of activity generated revenue and reserve)	\$175,350
Facility Improvement Funds & Operations	\$387,705
Pence Union Building and Rec Center Operations	\$963,788
<b>Total Uses</b>	<b>\$11,186,824</b>

# Scholarships and Fellowships (Index 5)

Scholarships	FY2020 Budget	FY2021 Budget
Federal Financial Aid Grants (Includes Pell grant and the Supplemental Educational Opportunity Grant – SEOG)	\$19,500,000*	\$17,500,000
State Financial Aid Grants (Includes State Need Grant)	\$20,500,000	\$19,320,000
EWU Financial Aid Grants (Includes EWU grant, endowed scholarships and license plate)	\$3,200,000	\$2,700,000
Private Financial Aid Grants (Includes foundation endowed scholarships)	\$1,100,000	\$1,150,000
<b>Total</b>	<b>\$45,300,000</b>	<b>\$40,670,000</b>

- Scholarships & Fellowships include funds for student aid programs, some federal and state aid programs, and privately endowed scholarships.
- Funding levels assumed to remain relatively flat year-to-year.
- Total increases driven by assumed enrollment rates.
- \* FY 20 does not include 4.993 million federal stimulus funding CARES Act for student emergency grants

# Sponsored Programs (Grants & Contracts)

## Index 5

Sponsored Programs	FY2020 Budget	FY2021 Budget
Federal Research	\$5,185,000*	\$10,453,000
State Research	3,450,000	4,139,000
Local Research	3,076,000	2,691,000
Private Research	2,153,000	1,282,000
<b>Total</b>	<b>\$13,864,000</b>	<b>\$18,565,000</b>

Funding and contracts are dependent on state and federal agency funding levels and local governmental and private agencies need for contracted services.

\* Does not include 4.993 million CARES Act stimulus funding

# Supplemental 2019-21 Operating Budget Revenue Summary

Operating Budget	FY2020	FY2021	2019-2021
Education and General			
General Fund State, Current ML	63,508,000	66,024,000	129,532,000
GFS Allotment Reduction <i>(unofficial, not included in total)</i>		-9,904,000	-9,904,000
State Funding HB 2158	1,995,000	2,455,000	4,450,000
Tuition Operating Fees	59,620,000	46,984,000	106,604,000
Recharges	2,397,000	2,856,694	5,253,694
Index 1 Total	127,520,000	118,319,694	245,839,694
Dedicated Local Funds	50,035,949	54,000,000	104,035,949
Service Funds	3,380,969	3,525,000	6,905,969
Total Education and General	180,936,918	175,844,694	356,781,612
Auxiliary Enterprises	52,311,205	37,123,880	89,435,085
Scholarships & Fellowships	45,158,538	40,670,000	85,828,538
Sponsored Programs	17,353,000	18,565,000	35,918,000
2019-21 Operating Budget	295,759,661	272,203,574	567,963,235

Includes projection of 8600 AAHC and continuation of state appropriations at current levels.

# Supplemental 2019-21 Operating Budget Expenditure Summary

Operating Budget	FY2020	FY2021	2019-2021
Education and General			
General Fund State, Current ML	63,508,000	66,024,000	129,532,000
GFS Allotment Reduction (unofficial, not included in total)		-9,904,000	-9,904,000
State Funding HB 2158	1,995,000	2,455,000	4,450,000
Tuition Operating Fees	59,620,000	46,984,000	106,604,000
Recharges	2,397,000	2,856,694	5,253,694
<b>Index 1 Total</b>	<b>127,520,000</b>	<b>118,319,694</b>	<b>245,839,694</b>
Dedicated Local Funds	50,035,949	50,400,000	100,435,949
Service Funds	3,382,132	3,500,000	6,882,132
<b>Total Education and General</b>	<b>180,938,081</b>	<b>172,219,694</b>	<b>353,157,775</b>
Auxiliary Enterprises	50,995,348	38,790,123	89,785,471
Scholarships & Fellowships	45,158,538	40,670,000	85,828,538
Sponsored Programs	17,353,000	18,565,000	35,918,000
<b>2019-21 Operating Budget</b>	<b>294,444,967</b>	<b>270,244,817</b>	<b>564,689,784</b>

Includes projection of 8600 AAHC and continuation of state appropriations at current levels.



# Future Economic Impacts

- Demand for higher education and enrollment pressure
- Tuition policy and state support
- Managing revenue opportunities and expense trajectory to generate revenue to support a responsive university
- In a crowded marketplace- capture opportunities to create new demand for institutional strengths
- Anticipating future cost trends and making adjustments to optimally position the university to respond to the market, students, and employers
- Restructure and resize the institution

## SUMMARY

Due to current economic pressures, it is imperative to pivot our university model. Delay in moving this forward will significantly increase costs and undermine financial health.



**EASTERN**  
**WASHINGTON UNIVERSITY**