

# **GW BUDGET MODEL**

## **UPDATE TO THE FACULTY SENATE**

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## NEW BUDGET MODEL

- ▶ The new budget model is an alternative way of distributing resources to open unit schools.-
- ▶ Our consolidated university budget includes Open Schools, Closed Schools, and Central Operations.
  - ▶ Open Schools: 7 schools operate under the new budget model
    - ▶ CCAS, CPS, ESIA, GSEHD, GWSB, SEAS, SON
  - ▶ Closed Schools: 3 schools are self-funding
    - ▶ GWSPH, LAW, SMHS
  - ▶ Central Operations
    - ▶ Development and Alumni Relations, External Relations, OVPR, EVP&T, Libraries, Provost, Student Affairs

# NEW BUDGET MODEL

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## PRIMARY OBJECTIVES

- ▶ Ensure that revenue growth benefits academic units (e.g. schools)
- ▶ Recognize that enrollment (particularly graduate) and research requires significant investment on the part of schools in reputation building faculty, state-of-the-art recruitment in graduate enrollment approaches, graduate aid, and academic infrastructure located within schools
- ▶ Enhance undergraduate cross-disciplinary flexibility and mobility
- ▶ Recognize that UG enrollment largely depends upon central decisions and will likely require more aid in foreseeable future
- Enable development of joint school programs at the graduate level
- ▶ Enhance predictability, transparency, and accountability
- ▶ Ensure all schools have ability to meet original costs (“held harmless”)

## TUITION PARAMETERS

- ▶ Undergraduate Tuition Revenues
  - ▶ FY18 Fixed Rate: \$330/UG student credit hour taught during the academic year
  
- ▶ Summer (Undergraduate Tuition)
  - ▶ 70% retained by the school
  
- ▶ Graduate Tuition Revenues
  - ▶ On-Campus<sup>(1)</sup>: 70% retained by the school by school of enrollment
  - ▶ Off-Campus: 80% retained by the school by school of enrollment
  - ▶ Online: 85% retained by the school by school of enrollment
  - ▶ Cross-School<sup>(2)</sup>: 45% retained by each school

(1) Since 2002, university fees have been included as part of the on-campus graduate tuition rate. These fees are 5.1% of published graduate tuition

(2) In FY19 for cross-over graduate programs, when an open-school student takes a closed-school course or vice versa, each school receives 45% of tuition revenue regardless of school of enrollment and central receives 10%. There are intra-school collaborative revenue-sharing agreements for jointly-developed programs between open schools (i.e., Global Communications).

# NEW BUDGET MODEL

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## RESEARCH AND OTHER PARAMETERS

- ▶ Supplemental Instructional Payment
  - ▶ Recognizes that differential costs of instruction and operations among schools.
  - ▶ Recognizes that different schools have different infrastructure obligations.
  
- ▶ Research Incentive based on Indirect Cost Recovery
  - ▶ Continue Practice: 8% REIA to PI's  
4% REIA to Departments
  - ▶ New Budget Model: 15% Budget allocation to schools
  - ▶ Total Research Support: 27%

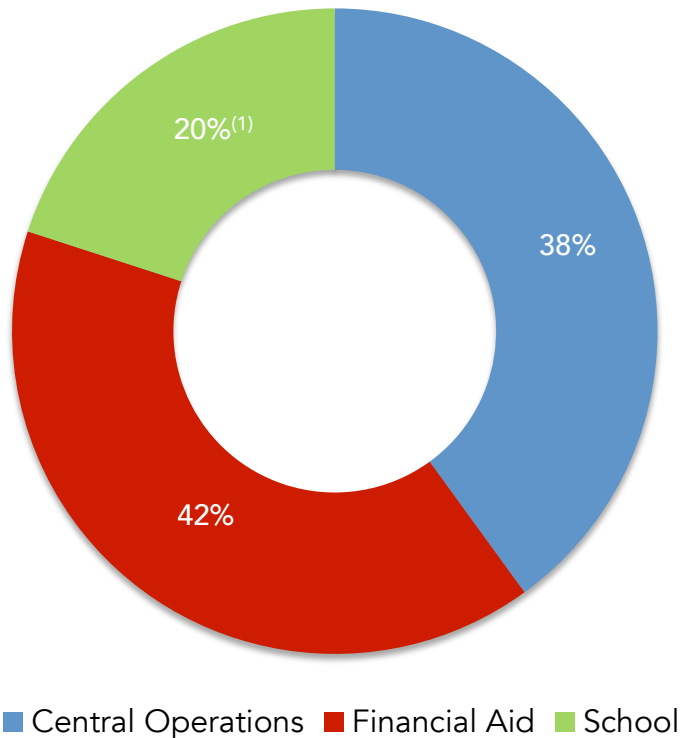
# NEW BUDGET MODEL

## UNDERGRADUATE REVENUE DISTRIBUTION

### EXAMPLE

#### TOTAL COST OF ATTENDANCE

31 CREDITS @ \$330/CREDIT HOUR  
FY18 TUITION = \$53,435



### ► Undergraduate

- Schools receive \$330/credit hour for instructional costs, plus a Supplemental Instructional Payment to account for differential costs of instruction across open schools.
- Central administration pays 100% of student aid.

(1) Schools receive \$10,230 per student (exclusive of the Supplemental Instruction Payment).

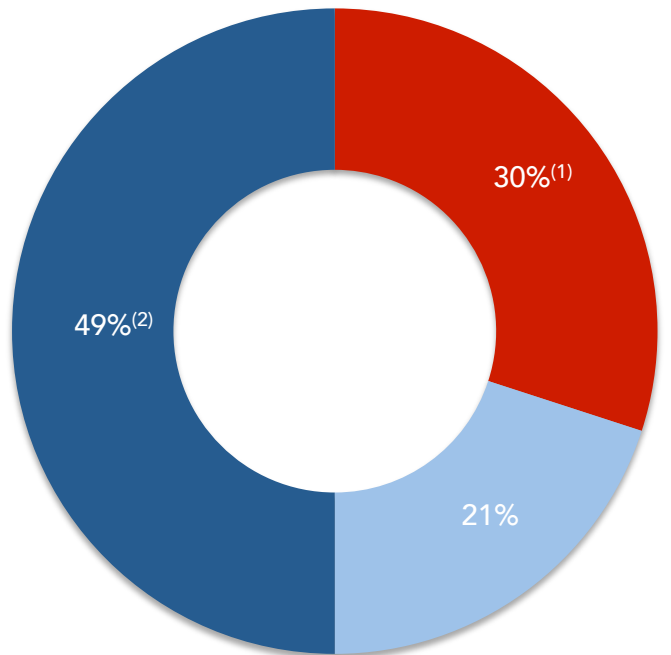
# NEW BUDGET MODEL

## GRADUATE REVENUE DISTRIBUTION

### EXAMPLE

#### TOTAL COST OF ATTENDANCE

ON-CAMPUS MASTER'S PROGRAM (CCAS)  
18 CREDITS @ \$1655/CREDIT HOUR



■ Central Ops ■ School-based Aid ■ School

(1) Includes central-based aid

(2) Schools receive \$14,895 per student

### ▶ Graduate

- ▶ Schools pay instruction costs and vast majority of aid & university fees, receiving tuition revenues based upon enrollment incentives:
  - ▶ On-Campus: 70%
  - ▶ Off-Campus: 80%
  - ▶ Online: 85%
- ▶ Central retains small graduate aid budget to incentivize various enrollment goals (e.g. Diversity Doctoral Packages; Tuition Support for graduate research assistants; etc.)

# NEW BUDGET MODEL

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## RESEARCH AND OTHER PARAMETERS

- ▶ Cumulatively, the five components of the model are designed to cover the costs of operations and to reward units for reputation building, teaching excellence and research contributions



# NEW BUDGET MODEL

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## PLANNED NEW DEVELOPMENTS FOR FY19

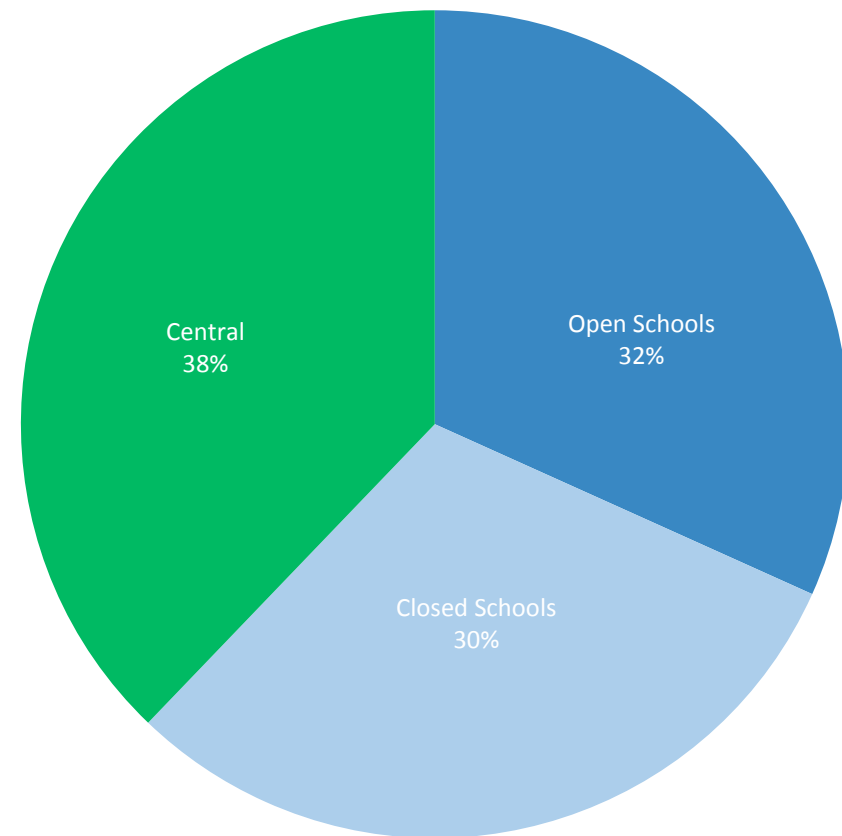
- GWSPH Participation: GWSPH undergraduates are now included in the new budget model
- Graduate Cross-Over Revenue Alignment: In FY19, when an open-school student takes a closed-school course or vice versa, each school receives 45% of tuition revenue regardless of school of enrollment and central receives 10%. There are intra-school collaborative revenue-sharing agreements for jointly-developed programs between open schools (i.e., Global Communications).

# CONSOLIDATED UNIVERSITY BUDGET

## FY 2018 APPROVED EXPENSE BUDGETS

- ▶ Schools account for 62% of university expenses
- ▶ Central accounts for 38% of university expenses

Category	Budget
Open Schools	\$ 311,614
Closed Schools	\$ 298,964
Central	\$ 371,420
<b>TOTAL</b>	<b>\$ 981,998</b>



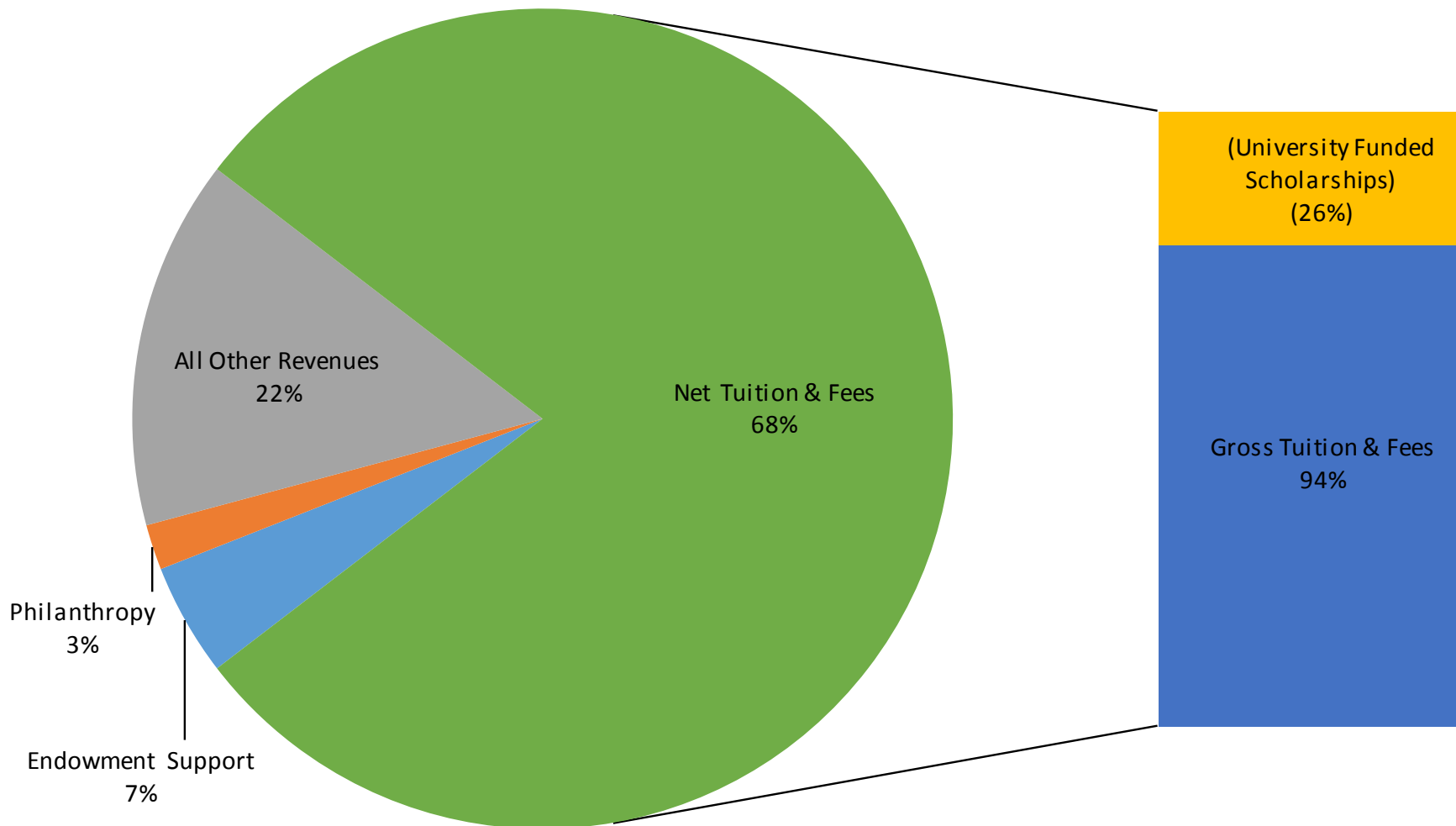
# CONSOLIDATED UNIVERSITY BUDGET

## FY18 2Q ACTUALS (\$ IN THOUSANDS)

	Closed Schools	Open Schools	Total Schools	Total Central	Total
<b>REVENUES</b>					
<b>Total Student Tuition &amp; Fees</b>	<b>244,814,593</b>	<b>312,791,809</b>	<b>557,606,402</b>	<b>515,289,711</b>	<b>1,072,896,113</b>
Less: University funded scholarships	(48,646,100)	(28,616,579)	(77,262,679)	(221,791,201)	(299,053,880)
<b>Net Student tuition &amp; Fees</b>	<b>196,168,493</b>	<b>284,175,230</b>	<b>480,343,723</b>	<b>293,498,510</b>	<b>773,842,233</b>
Indirect Cost Recoveries	19,565,360	-	19,565,360	9,506,339	29,071,699
Auxiliary Enterprises	162,000	80,000	242,000	116,941,853	117,183,853
Contributions	3,402,000	5,803,500	9,205,500	6,754,244	15,959,744
Net assets released from restrictions	10,695,000	3,107,000	13,802,000	1,675,674	15,477,674
Medical Education Agreements	62,380,629	174,220	62,554,849	1,874,501	64,429,350
Other/Investment income	22,088,545	5,225,239	27,313,784	15,292,688	42,606,472
<b>Total Revenue</b>	<b>314,462,027</b>	<b>298,565,189</b>	<b>613,027,216</b>	<b>445,543,808</b>	<b>1,058,571,025</b>
<b>EXPENSES:</b>					
<b>Salaries and wages</b>					
Faculty Compensation	66,337,675	154,734,944	221,072,619	5,662,903	226,735,521
Non-Faculty Compensation	75,564,102	47,712,097	123,276,199	176,880,783	300,156,981
<b>Total Salaries</b>	<b>141,901,777</b>	<b>202,447,040</b>	<b>344,348,817</b>	<b>182,543,686</b>	<b>526,892,502</b>
Fringe benefits	33,337,439	45,973,312	79,310,751	35,024,922	114,335,673
<b>Total Compensation</b>	<b>175,239,216</b>	<b>248,420,352</b>	<b>423,659,568</b>	<b>217,568,607</b>	<b>641,228,175</b>
Purchased services	74,875,239	25,186,407	100,061,646	78,126,782	178,188,429
Supplies	3,456,959	2,925,004	6,381,963	4,751,919	11,133,882
Equipment	2,279,113	5,160,121	7,439,234	4,874,334	12,313,568
Bad Debt	-	-	-	2,200,000	2,200,000
Occupancy	8,917,789	726,095	9,643,884	37,769,438	47,413,322
Scholarships and fellowships	1,815,487	8,411,909	10,227,396	4,406,877	14,634,273
Communications	410,829	768,430	1,179,259	3,077,862	4,257,121
Travel and training	3,943,459	9,641,393	13,584,852	8,648,182	22,233,033
Other	10,824,381	7,241,453	18,065,834	20,501,717	38,567,551
Cost Recoveries	(183,100)	(74,300)	(257,400)	(45,890,609)	(46,148,009)
Interdepartmental Assessments	11,979,184	2,622,840	14,602,024	31,984,942	46,586,966
<b>Total Expense</b>	<b>293,558,556</b>	<b>311,029,704</b>	<b>604,588,260</b>	<b>368,020,052</b>	<b>972,608,312</b>
<b>CHANGE IN NET ASSETS</b>					
Debt Service & Mandatory Purposes	(8,359,620)	(1,568,189)	(9,927,809)	(85,972,191)	(95,900,000)
Endowment Support	22,833,743	7,775,078	30,608,821	46,605,160	77,213,981
Capital Expenditures	(3,709,534)	(3,739,851)	(7,449,385)	(4,082,108)	(11,531,493)
Support/Investment Inflow/(Outflow)	(8,960,781)	12,000,254	3,039,472	(58,784,674)	(55,745,201)
Overhead Allocations	(22,243,649)	(829,624)	(23,073,273)	23,073,273	(0)
<b>Total change in net assets</b>	<b>(20,439,841)</b>	<b>13,637,668</b>	<b>(6,802,173)</b>	<b>(79,160,540)</b>	<b>(85,962,713)</b>
<b>Margin</b>	<b>463,631</b>	<b>1,173,153</b>	<b>1,636,783</b>	<b>(1,636,784)</b>	<b>(0)</b>
<b>Support &amp; Investment</b>					
Supplemental Instructional Payment	-	13,959,000	13,959,000	(13,959,000)	(0)
Provost Office Transfers	1,092,000	5,423,423	6,515,423	(6,515,423)	0
OVPF Transfers	881,437	5,546,939	6,428,376	(6,506,420)	(78,044)
RESERVES: PA Transfers - Margin Surplus / (Deficit)	(18,237,543)	(14,935,633)	(33,173,176)	(2,889,643)	(36,062,819)
RESERVES: PA Transfers - Other	6,687,047	2,367,424	9,054,471	(15,900,000)	(6,845,529)
P Transfers - Capital Projects	(16,000)	(847,858)	(863,858)	(13,052,681)	(13,916,539)
NAC G/D Transfers - Margin Surplus / (Deficit)	989,967	(105,875)	884,092	(0)	884,092
Other Transfers - NAC G/D	(2,042,196)	592,833	(1,449,363)	(41,506)	(1,490,869)
Other Transfers - Endowment and Perpetual Trust	1,684,507	-	1,684,507	80,000	1,764,507
Other Transfers - Taxable Debt Pool or Internal Advances	-	-	-	-	-
RESERVES: Endowment or Perpetual Trust	-	-	-	-	-
Support/Investment Other	-	-	-	-	-
<b>Support &amp; Investment Total</b>	<b>(8,960,781)</b>	<b>12,000,254</b>	<b>3,039,472</b>	<b>(58,784,674)</b>	<b>(55,745,201)</b>

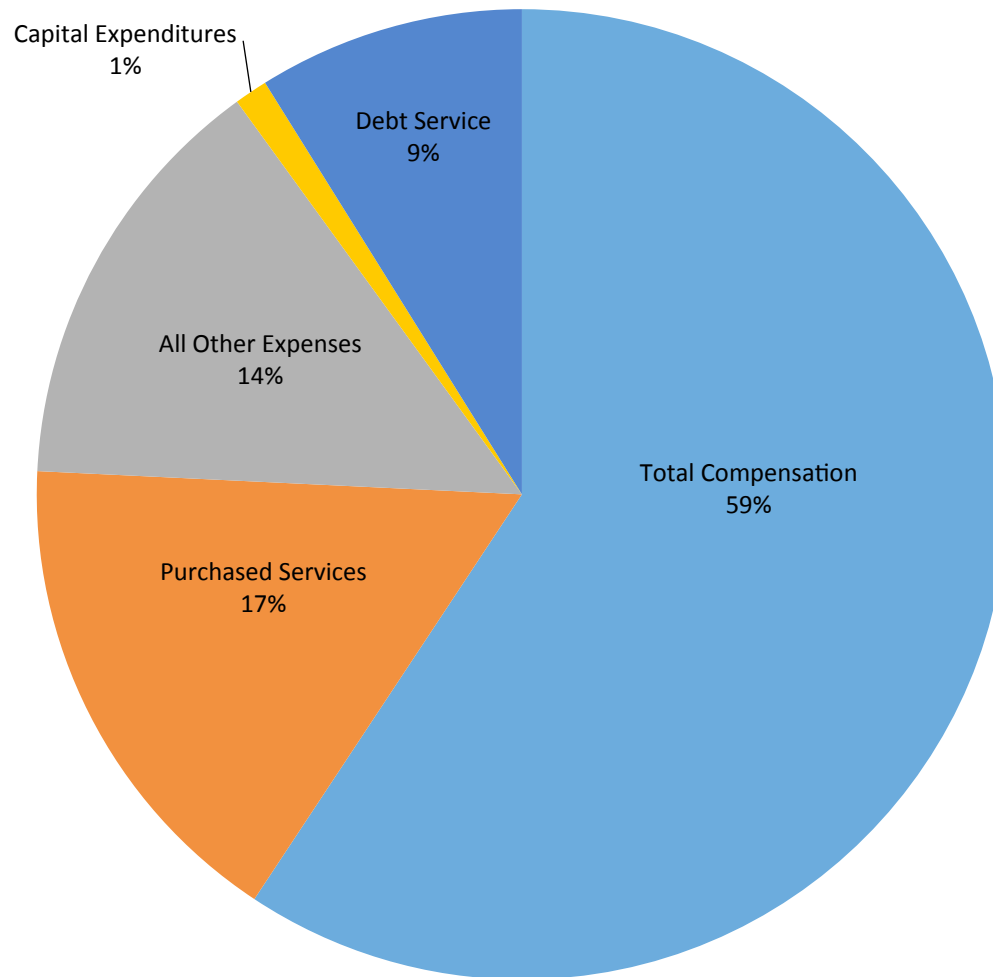
# CONSOLIDATED UNIVERSITY BUDGET

## FY 2018 2Q – SOURCES/REVENUES



# CONSOLIDATED UNIVERSITY BUDGET

## FY 2018 2Q – USES/EXPENSES



## UNIVERSITY RESERVES

- The university needs to build and maintain healthy reserves as a precaution against enrollment downturns, as a contingency for unexpected expenses and to be able to make strategic investments.

### School Reserves

- A key performance metric for schools is the ability to maintain and increase their reserves and to balance their operating budgets without the use of reserves.
- Schools participating in the new budget model have responded very well to these incentives. All have made contributions to their reserves to invest in innovation and to build and maintain a healthy operating margin.
- Schools need reserves for both investment and tuition contingencies. While growing, school reserve levels are not yet sufficient to cover both.

### Central Reserves

- From FY13-FY16, the university drew a cumulative \$100M from central reserves to balance the budget and meet our strategic commitments.
- Although we began to turn the corner in FY16 and achieved a positive margin of \$77M in FY17, the central reserves of the university remain in deficit. We are beginning to replenish central reserves and reduce the size of the central deficit. We are working on sustainable strategies to achieve and maintain a positive central reserve to ensure GW's long-term financial health and opportunities for investment.

# RESERVE USAGE SUMMARY

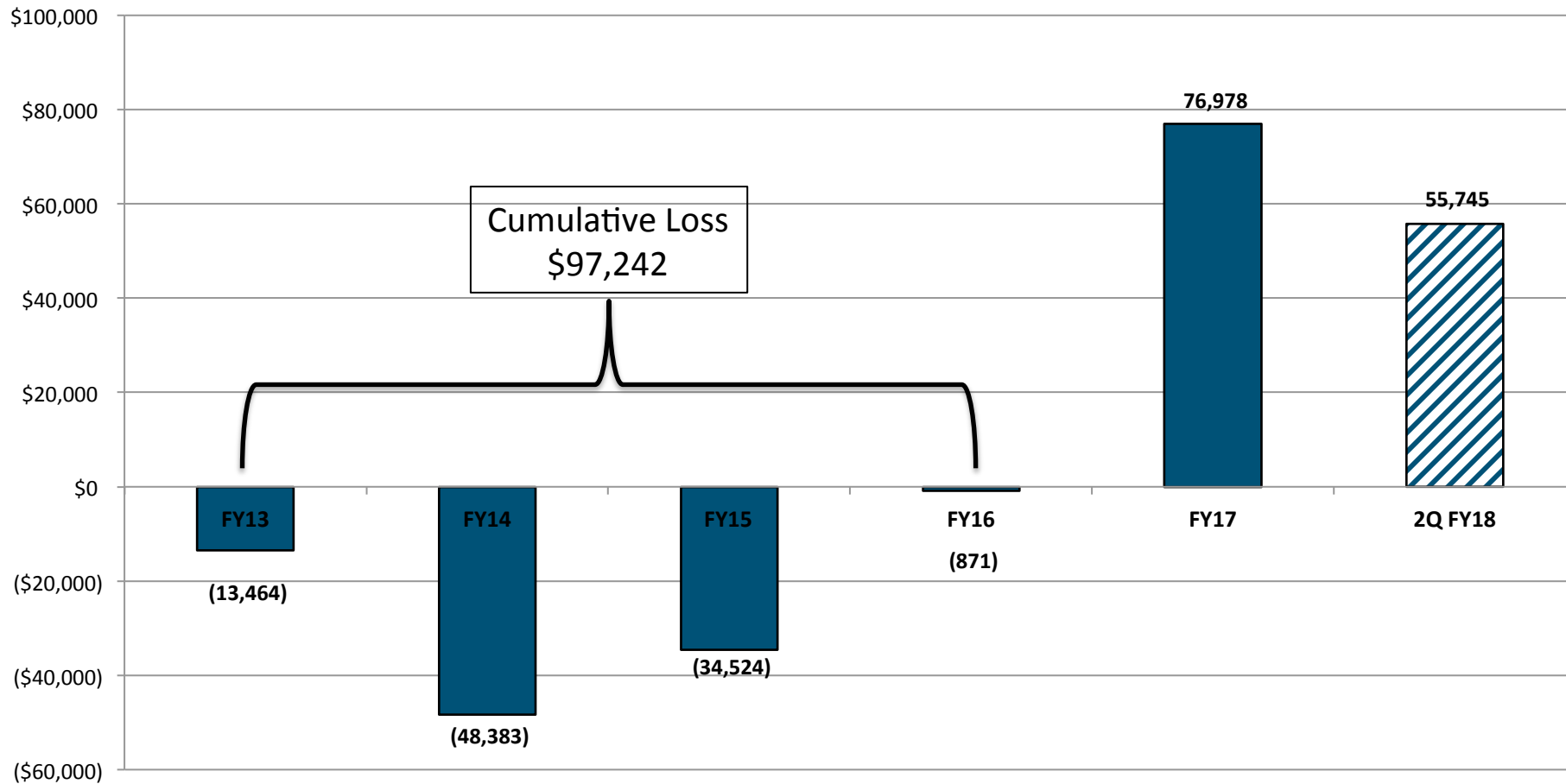
## AS OF FY18 2Q

	FY18 Beginning Balance	FY18 Net Reserve Inflow/(Usage)	Proj. FY18 Ending Balance
Open Schools	\$ 49,662	\$ 10,618	\$ 60,280
Closed Schools*	176,892	2,073	178,965
Total Schools	226,554	12,691	239,245
Central (Includes Provost & OVPR)	(58,283)	16,511	(41,772)
<b>TOTAL AVAILABLE RESERVES</b>	<b>\$ 168,271</b>	<b>\$ 29,202</b>	<b>\$ 197,473</b>

\*Almost 60% of school reserves are in SMHS, which has significant amount of planned usage for strategic programmatic and capital priorities

# ACTUAL AND BUDGETED FISCAL PERFORMANCE

## FY13-FY17 ACTUAL; FY18 2Q



- From FY 2013 through FY 2016 the cumulative excess uses above sources was \$97.2M.
- The improvement in FY 2016 and FY 2017 was primarily driven by both cost management strategies that were primarily executed at the central level and by above-budget enrollment.
- The five-year budget plan assumes stable margins in the 4%-5% range from FY 2019 through FY 2023.



## TREATMENT OF GRADUATE TUITION REVENUE

- Crediting graduate tuition revenue to the student's home school instead of to school offering the course
  - Plus:
    - Easy for schools to determine the financial consequences of creating new programs or expanding existing programs
    - Creates incentives for schools to continue to expand and to innovate graduate programs
  - Minus:
    - Potential incentive to not allow students whose tuition does "not count" into courses;
    - Potential incentive to not offer graduate courses that have "too many" students outside home school
- Alternative: credit graduate tuition revenue to the school offering the course (or split graduate tuition revenue between school offering the course and the home school of the student)
  - Plus:
    - Eliminates/reduces incentive to not allow registration of students outside the school offering the course
  - Minus:
    - Determining revenue consequences of offering new programs/courses is more complicated and less transparent
    - Schools may have incentives to discourage students from taking courses outside their home school

## TREATMENT OF UNDERGRADUATE TUITION REVENUE

- What is the fixed teaching rate supposed to cover?
  - Costs are not only incurred at the school level, but there are also substantial costs at the university level that need to be covered
- Do the current methods for distributing undergraduate and graduate tuition create more of an incentive to invest more in graduate than undergraduate education?
  - Intent is to have revenue from undergraduate and graduate programs together cover schools' costs.

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