TODAY’S PRESENTERS

// Maryanne Reed  
Provost and Vice President for Academic Affairs

// Rob Alsop  
Vice President for Strategic Initiatives

// Lisa Sharpe  
Finance Program Manager
WVU’S FINANCIAL GOALS

- Identify resources for investment in strategic priorities that will maximize opportunities to grow enrollment, increase retention and persistence and support West Virginia University’s strategic goals.

- Develop a structurally sound budget with attainable assumptions and consistent positive operating margins on a year-to-year basis.

- Over time, improve the balance sheet by increasing our net cash position to 2014 levels.

- Maintain our current bond ratings.

- Develop a model that addresses the current reserve imbalance.
FISCAL YEAR 2022 REVENUES

- Net Tuition and Fees: 35%
- Grants and Contracts (Non-Capital): 23%
- State Appropriations: 16%
- Auxiliary Enterprises: 11%
- Federal Emergency Relief Grant Revenue: 5%
- Other: 10%

TOTAL REVENUES: $1,140,876,000
FISCAL YEAR 2022 EXPENSES

- Salaries and Wages: 47%
- Supplies and Other Services: 18%
- Benefits: 13%
- Utilities: 3%
- Scholarships: 6%
- Depreciation: 8%
- Federal Emergency Relief Grant Expenses: 2%
- Debt Service: 3%
- Other: 0%

TOTAL EXPENSES: $1,157,949,000
WVU’S BUDGET MODEL

- WVU’s current budget model is not working.
- Moreover, we do not appropriately reward those who increase enrollment, research or other targets.
- We do not provide the appropriate clarity in terms of outcomes.
- Particularly as it relates to transformation, we do not have a budget model that will appropriately align with new academic innovation, transformation and priorities of key University leaders.
- When you consider the technology deficits we hope to cure throughout the next several years, we have reached a critical juncture where we need to develop a sustainable budget model for WVU.
# DAYS CASH ON HAND

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td>83</td>
<td>77</td>
<td>60</td>
<td>61</td>
<td>59</td>
<td>69</td>
<td>69</td>
<td>73</td>
<td>79</td>
<td>75</td>
<td>74</td>
<td>72</td>
<td>73</td>
</tr>
<tr>
<td><strong>Liquid Investments</strong></td>
<td>68,675</td>
<td>75,204</td>
<td>73,511</td>
<td>78,293</td>
<td>81,313</td>
<td>101,159</td>
<td>104,888</td>
<td>107,888</td>
<td>110,888</td>
<td>113,888</td>
<td>116,888</td>
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</tr>
<tr>
<td><strong>TOTAL CASH</strong></td>
<td><strong>$163,530</strong></td>
<td><strong>$167,695</strong></td>
<td><strong>$158,809</strong></td>
<td><strong>$194,583</strong></td>
<td><strong>$197,403</strong></td>
<td><strong>$209,152</strong></td>
<td><strong>$237,366</strong></td>
<td><strong>$224,469</strong></td>
<td><strong>$222,237</strong></td>
<td><strong>$219,741</strong></td>
<td><strong>$227,953</strong></td>
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<tr>
<td><strong>Adjusted Total Expense</strong></td>
<td>$987,753</td>
<td>$1,007,140</td>
<td>$987,198</td>
<td>$1,023,564</td>
<td>$1,049,011</td>
<td>$1,045,299</td>
<td>$1,096,515</td>
<td>$1,089,916</td>
<td>$1,102,027</td>
<td>$1,118,626</td>
<td>$1,134,569</td>
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<td></td>
</tr>
<tr>
<td><strong>Days of Cash on Hand</strong></td>
<td>60</td>
<td>61</td>
<td>59</td>
<td>69</td>
<td>69</td>
<td>73</td>
<td>79</td>
<td>75</td>
<td>74</td>
<td>72</td>
<td>73</td>
<td>73</td>
<td>73</td>
</tr>
</tbody>
</table>
# The Numbers: Morgantown Campus

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Headcount Enrollment</th>
<th>FTF</th>
<th>Retention</th>
<th>HONORS</th>
<th>Honors Avg. Highschool GPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>29,175</td>
<td>4,868</td>
<td>76.71%</td>
<td>566</td>
<td>3.92</td>
</tr>
<tr>
<td>2015</td>
<td>28,776</td>
<td>4,782</td>
<td>78.72%</td>
<td>714</td>
<td>3.94</td>
</tr>
<tr>
<td>2016</td>
<td>28,488</td>
<td>5,124</td>
<td>79.17%</td>
<td>898</td>
<td>3.94</td>
</tr>
<tr>
<td>2017</td>
<td>28,409</td>
<td>5,225</td>
<td>79.47%</td>
<td>902</td>
<td>3.94</td>
</tr>
<tr>
<td>2018</td>
<td>26,864</td>
<td>4,732</td>
<td>75.81%*</td>
<td>1,018</td>
<td>3.94</td>
</tr>
<tr>
<td>2019</td>
<td>26,839</td>
<td>4,949</td>
<td>78.89%</td>
<td>1,051</td>
<td>4.14</td>
</tr>
<tr>
<td>2020</td>
<td>26,269</td>
<td>4,494</td>
<td>82%</td>
<td>943</td>
<td>4.16</td>
</tr>
<tr>
<td>2021</td>
<td>25,560</td>
<td>4,327</td>
<td>81.20%</td>
<td>959</td>
<td>4.16</td>
</tr>
</tbody>
</table>

* The freshman retention rate from Fall 2017 to Fall 2018 declined as WVU raised its GPA suspension policy from the most liberal (lowest) in the Big 12 to the most stringent.

**NOTE:** WVU ran a focused Registered-Not Paid process in late August 2018 that was not performed in Fall 2016 nor 2017. This process reduced Fall 2018 in comparison to prior years.
<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private pay, loans, third party payers</td>
<td>$308,445,000</td>
<td>$329,295,000</td>
<td>$325,666,000</td>
<td>$307,746,000</td>
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<tr>
<td>Pell Grants</td>
<td>$29,890,000</td>
<td>$30,290,000</td>
<td>$28,573,000</td>
<td>$26,722,000</td>
</tr>
<tr>
<td>Other Federal, State, &amp; Local Grants</td>
<td>$2,774,000</td>
<td>$3,002,000</td>
<td>$3,063,000</td>
<td>$3,185,000</td>
</tr>
<tr>
<td>Foundation Scholarships</td>
<td>$20,828,000</td>
<td>$17,076,000</td>
<td>$14,377,000</td>
<td>$13,686,000</td>
</tr>
<tr>
<td>PROMISE Scholarship</td>
<td>$22,082,000</td>
<td>$23,531,000</td>
<td>$21,162,000</td>
<td>$23,149,000</td>
</tr>
<tr>
<td><strong>Total Funded Merit/Need Based Aid</strong></td>
<td><strong>$75,574,000</strong></td>
<td><strong>$73,899,000</strong></td>
<td><strong>$67,175,000</strong></td>
<td><strong>$66,742,000</strong></td>
</tr>
<tr>
<td><strong>Net Tuition &amp; Fees</strong></td>
<td><strong>$384,019,000</strong></td>
<td><strong>$403,194,000</strong></td>
<td><strong>$392,841,000</strong></td>
<td><strong>$374,488,000</strong></td>
</tr>
<tr>
<td><strong>Total Discounted Aid</strong></td>
<td><strong>$65,628,000</strong></td>
<td><strong>$92,197,000</strong></td>
<td><strong>$107,507,000</strong></td>
<td><strong>$118,358,000</strong></td>
</tr>
<tr>
<td><strong>Gross Tuition &amp; Fees</strong></td>
<td><strong>$449,647,000</strong></td>
<td><strong>$495,391,000</strong></td>
<td><strong>$500,348,000</strong></td>
<td><strong>$492,846,000</strong></td>
</tr>
<tr>
<td>Financial FTE Enrollment</td>
<td>28,508</td>
<td>27,147</td>
<td>27,085</td>
<td>26,450</td>
</tr>
<tr>
<td><strong>Net Tuition &amp; Fees Per FTE</strong></td>
<td><strong>$13,471</strong></td>
<td><strong>$14,852</strong></td>
<td><strong>$14,504</strong></td>
<td><strong>$14,158</strong></td>
</tr>
<tr>
<td>Percentage of Funded Aid to Total Aid</td>
<td>53.52%</td>
<td>44.49%</td>
<td>38.46%</td>
<td>36.06%</td>
</tr>
<tr>
<td>Percentage of Discounts to Total Aid</td>
<td>46.48%</td>
<td>55.51%</td>
<td>61.54%</td>
<td>63.94%</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>14.60%</td>
<td>18.61%</td>
<td>21.49%</td>
<td>24.02%</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
<td>2019</td>
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<tr>
<td>----------------</td>
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</tr>
<tr>
<td>All WEBOC</td>
<td>$1,708,514</td>
<td>$1,620,068</td>
<td>$1,698,534</td>
<td>$1,627,386</td>
</tr>
<tr>
<td>PTM</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$274,352</td>
</tr>
<tr>
<td>Hybrid</td>
<td>$4,706,277</td>
<td>$6,284,954</td>
<td>$9,167,666</td>
<td>$10,327,923</td>
</tr>
<tr>
<td>Traditional</td>
<td>$126,141,789</td>
<td>$138,842,055</td>
<td>$132,468,878</td>
<td>$131,899,178</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$132,556,580</strong></td>
<td><strong>$146,747,077</strong></td>
<td><strong>$143,335,077</strong></td>
<td><strong>$143,854,487</strong></td>
</tr>
</tbody>
</table>
WVU’S RESERVE IMBALANCE

- WVU has seen multi-year reductions in State appropriations.
- The University also has experienced significant increases to waiving/discounted tuition.
- Central support for debt service has increased.
- WVU is experiencing a revenue split given the growth in online programming.
- The University’s reserve growth no longer is a function of enrollment growth or overall expense savings.
WVU MODERNIZATION PROGRAM: BUDGET MODEL REDESIGN PROJECT
Individuals from across the WVU community are being invited to join Design Teams, bringing their expertise and institutional perspectives to evaluate options and identify solutions for assigned foundational projects.

80+ individuals from across the WVU community

120+ appointments across 12 Design Teams

- Information Technology Services
- Finance
- Talent and Culture
- Office of the Provost
- WVU Research
- University Relations and Enrollment Management
- Health Sciences
- Shared Services
- Procurement, Contracting and Payment Services
- Athletics
- College of Law
- Eberly College of Arts and Sciences
- Benjamin M. Statler College of Engineering and Mineral Resources
- Graduate Education
- WVU Online
- Staff Council
GUIDING PRINCIPLES

**UNIFIED FUTURE:** Unite the institution by looking towards the future; in the spirit of OneWVU, optimize business processes by considering what will best serve the institution broadly.

**BLUE-SKY APPROACH:** The WVU Modernization Program will be uninhibited by past practices.

**PEOPLE-DRIVEN DESIGN:** Enhance the user experience by creating useful, integrated, intuitive and technology-enabled engagement to benefit the University as a whole.

**SIMPLIFICATION AND STANDARDIZATION:** Increase standardization, eliminate unnecessary complexity and prioritize interconnection between systems and practices.

**DATA-EMPOWERED DECISIONS:** Empower data-based decision-making while protecting individual privacy and institutional security.

**BUILT TO LAST:** Create sustainable systems and practices that can withstand future challenges, adapt to changing needs, respond to innovation and provide enduring support for mission-critical functions.
FUNCTIONAL PROJECT APPROACH

Across the functional projects, the process will be as important as the design itself. Because these projects touch on sensitive subjects (e.g., budgets, autonomy and organizational structure), a high degree of engagement will be vital to generating buy-in and understanding community concerns.

DESIGN
- Learn about WVU’s current state to inform requirements and explore different models that could be leveraged for future-state solutions.

ITERATE
- Design Teams will adapt selected models to suit the institution, creating an output that serves WVU’s goals.

VALIDATE
- Models will be stress-tested with additional information from the WVU community, potentially involving:
  - One-on-one or small group meetings to discuss designs.
  - Sourcing of “proof of concept” scenarios from the WVU community to see if the design holds against identified circumstances.
**PURPOSE:**

- Promote greater **transparency** and **timeliness** with WVU’s budgeting process.

- **Design, develop and implement** a new budget model that defines cost and revenue allocation aligned with the University’s strategic objectives.

- Create a budget tool that supports **real-time decision-making, planning** and **alignment with strategic goals**.

**ALIGNMENT WITH WVU MODERNIZATION PROGRAM OUTCOMES:**

**Data-empowered Decisions:** Empower data-based decision-making while protecting individual privacy and institutional security.
Even though an array of alternative and hybrid models exist, incremental budgeting is the most common approach to university resource allocation.

**INCREMENTAL BUDGETING**
- Centrally driven
- Current budget acts as “base”
- Each year’s budget increments (decrements) adjust the base
- Focus typically is placed on expenses
- Common modifications:
  - Block-grant models bucket line-items together to promote local control
  - Revenue incentives may be incorporated for the allocation of resources above and beyond the base
  - Approximately 49% of institutions and 65% of public master’s / bachelor’s institutions report using this model

**FORMULA FUNDING**
- Unit-based model focused on providing equitable funding
- Unit rates are input-based and commonly agreed upon
- Annual fluctuations are driven primarily by the quantity of production and not from changes to rates
- Common modifications:
  - Weighting schemes to control for local cost structures
  - Used only for select activities (e.g., instruction)
  - Approximately 24% of institutions and 28% of public master’s / bachelor’s institutions report using this model

**PERFORMANCE FUNDING**
- Unit-based model focused on rewarding mission delivery
- Unit rates are output based and commonly agree upon
- Annual fluctuations are driven primarily by changing production and not from changes to rates
- Common modifications:
  - Weighting schemes to control for local unit mission
  - Used only for small portions of overall resources (as little as 1-5%)
  - Approximately 19% of institutions and 14% of public master’s / bachelor’s institutions report using this model

**INCENTIVE-BASED MODELS**
- Focus on academic units
- Incorporates a devolution of revenue ownership to local units, as generated
- Allocates costs to revenue generating units
- Utilizes a centrally managed “subvention pool” to address strategic priorities
- Common modifications:
  - Revenue allocation rules
  - Number of cost pools
  - Participation fee (tax rate)
  - Approximately 32% of institutions and 27% of public master’s / bachelor’s institutions report using this model

Source: 2017 Inside Higher Education Survey of College & University Business Officers
QUESTIONS?
CONTACT US

// Email us at academictransformation@mail.wvu.edu.

// Watch an archived version of this Campus Conversation:

  // provost.wvu.edu/academic-transformation/campus-conversations
  // bureaucracybusters.wvu.edu/campus-conversations

// Visit modernizationprogram.wvu.edu for more on the WVU Modernization Program.

// Visit go.wvu.edu/budget-model-redesign for details on the Budget Model Redesign project.

// Stay tuned for additional Campus Conversations.