

Budget 101: A Guide to Evergreen's Budget



A budget is a plan of operations, that includes the proposed expenditures for a specific period or purpose and the proposed means of financing them.

**The Evergreen State College
Office of Operational Planning and Budget**

July 30, 2010

Introduction

This *Guide to Evergreen's Budget* is offered, as a community resource to Evergreen's faculty, staff, students and other interested people to provide a clear and simple overview of the college's various budgets and sources of revenues. It describes the four basic college budgets and their interrelationships, the sources of revenue that support those budgets, how the money is spent, and the general timeline for budget decisions.

This guide was developed in response to campus community requests for a brief and easy-to-understand document about Evergreen's complex budget environment to help demystify the college's various budgets. Evergreen produces a number of documents and reports on budget, expenditures and revenue collections and well as the many programs and services that the college provides. This guide provides a quick insight into Evergreen's budgets and sources of revenues.

The Office of Operational Planning and Budget prepared this guide. Questions about this guide or requests for further information on the college budget should be directed to:

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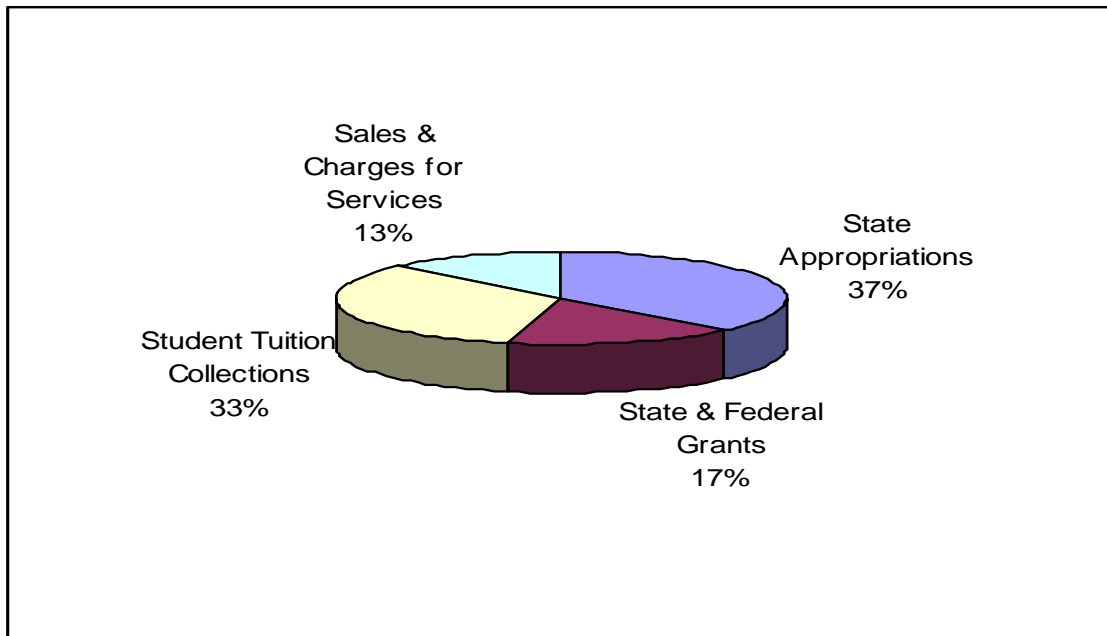
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Just How Big Is the College’s Budget?

To pay for the college’s activities in the 2009-11 biennium (July 1, 2009 – June 30, 2011), the college receives \$72.7 million from state appropriations, receives \$32.2 million in state and federal grants, collects \$64.8 million in tuition from students, and charges \$25.2 million for sales and services. The relative size of each of these sources is shown in the following chart.

Most of the money the state provides to the college comes from state taxes. Washington’s major tax sources include the sales tax, property tax and a rather unique tax called the Business and Occupation (B&O) tax, which is a tax on gross receipts rather than on profit or income from businesses. Washington is one of seven states that do not have a personal income tax.

**2009-11 Sources of College Revenue
(Dollars in Millions)**



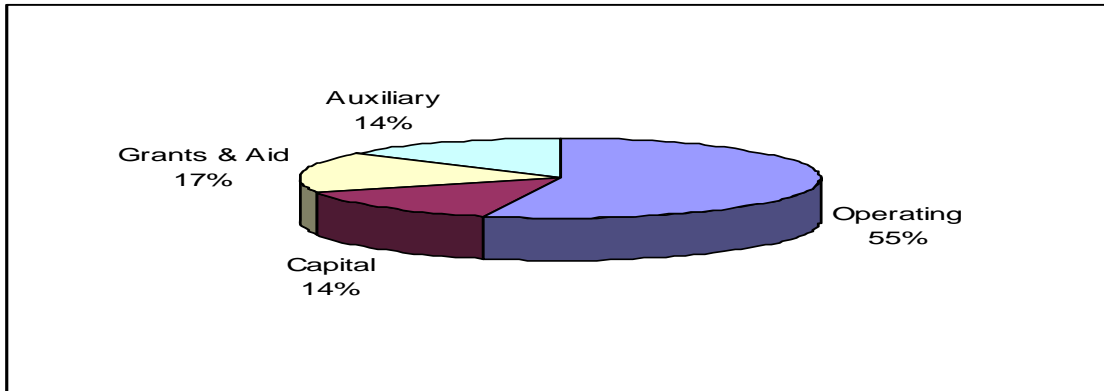
State Appropriations	\$72.7
State & Federal Grants	32.2
Student Tuition Collections	64.8
Sales & Charges for Services	25.2
TOTAL	\$194.9

Contrary to popular belief, neither the state nor the students “pays” for all of the cost of an Evergreen education. Combined, however, the state and students pay just over 70% of the college costs and other revenue sources provide the balance. Tuition collections from non-resident students account for nearly 42% of the total tuition receipts. At 37% of the total college resources, the state currently provides the largest financial support for the college.

What Are the Major College Budgets?

In the 2009-11 biennium, the college will spend a total of \$194.9 million. That's about \$350 thousand every day (on average) during the two-year period. This \$194.9 million includes spending from four different budgets, which are plans on how the college will spend the money. The four college budgets are reflected in the following:

**2009-11 College Budgets
(Dollars in Millions)**



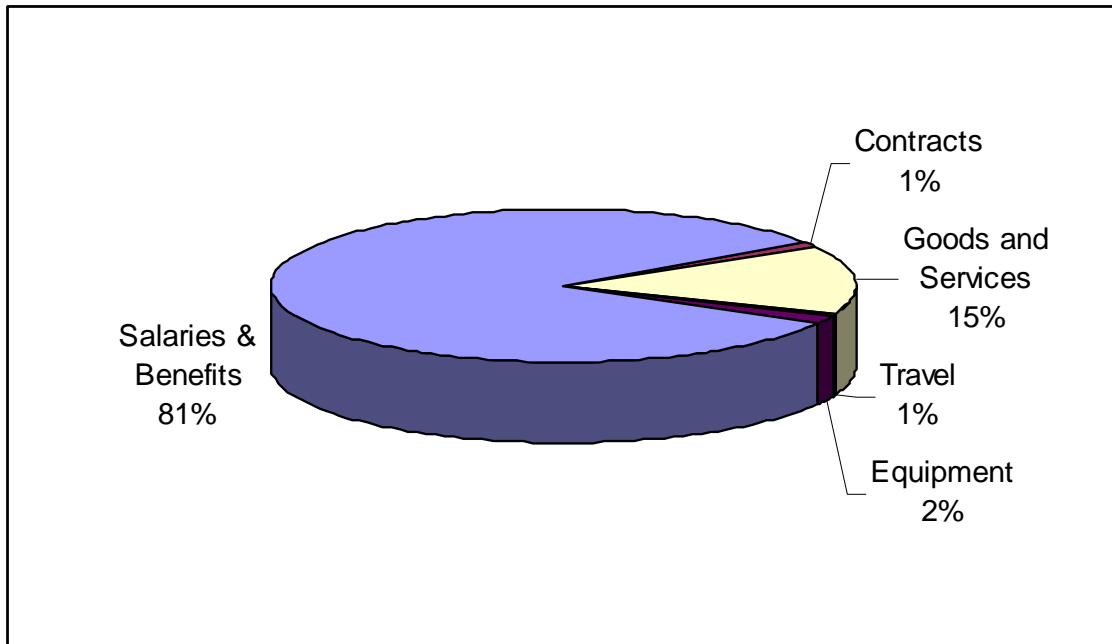
Operating	\$106.5
Capital	28.1
Grants & Aid	32.2
Auxiliary	28.1
TOTAL	\$94.9

- The funds that pay for the day-to-day operations of the college (academic programs, student services, library, media support, computing & science labs, plant maintenance and administration) are called the **Operating Budget** (\$106.5 million). Revenues come from state appropriations (44%) and from student tuition and fee collections (56%).
- The funds that pay for construction or improvements to the college's physical assets are called the **Capital Budget** (\$28.1 million). State appropriations account for 51% of these revenues and public trust funds (normal school trust fund) provide most of the remainder. A small portion (\$2.2 million) comes from student tuition collections.
- The funds that pay for student financial aid and for grants and contacts awarded to the college such as the Gear-Up grant to help disadvantaged middle school students prepare for college or the Intel grant for the improvement of K-12 education for math and science curriculum are called the **Grants & Aid Budget** (\$32.2 million). The majority of these revenues come from state and federal sources.
- The funds that pay for the services that are set up as independent business units supporting the overall mission of the college, including the bookstore, associated students (S&A), motor pool, parking, housing, dining and food services are called the **Auxiliary Budget** (\$28.1 million). Most of the revenue comes from community members using these services. A portion of tuition and fee collections pay for all of associated student activities.

How Is the Operating Budget Spent?

As the following chart shows, the college will spend a total of \$106.5 million for operations that can be divided into five major expenditure areas.

**2009-11 Operating Budget by Major Expenditure Area
(Dollars in Millions)**



Salaries, Wages and Benefits	\$87.4
Goods & Services	15.6
Equipment and Library Materials	1.9
Travel	.6
Professional Services Contracts	1.0
TOTAL	\$106.5

Typical of any service industry, the majority of Evergreen's expenses are directly related to the faculty, staff and student employees who are providing direct services. As a group, faculty accounts for the largest portion of salary and benefit costs. Utilities, leases and mandatory payments account for almost one-half of the goods and services costs. Equipment and library materials acquisitions are almost equally distributed.

What are the Major Activities in the Operating Budget?

(Includes State General Funds, Tuition and Local Dedicated Fees)

	* FTE's	2009-11 Biennial Budget	Percent of Total
Academics			
Academic Administration	21.75	3,310,278	3.11%
Direct Instructional Support	59.89	6,763,439	6.35%
Faculty Salary Pool	176.93	37,713,638	35.42%
Library	49.86	6,505,872	6.11%
Centers	8.03	1,161,805	1.09%
Divisional Base Adjustment	-	(623,966)	-0.59%
Library Fines	-	72,000	0.07%
Public Service Center Workshops	1.00	322,000	0.30%
Summer Session	43.44	5,186,600	4.87%
Sub-Total	360.90	60,411,666	56.73%
Finance & Administration			
F&A Administrative Acct.	3.00	588,552	0.55%
Computing & Communications	51.99	7,361,042	6.91%
Human Resource Services	9.17	1,407,206	1.32%
Business Operations	31.11	3,155,992	2.96%
Facilities	59.92	4,228,206	3.97%
Revolving Fund Payments	-	1,333,080	1.25%
Tacoma Lease	-	1,441,966	1.35%
Utilities	-	4,373,956	4.11%
<i>Undistributed Health Increase</i>	-	38,811	0.04%
Divisional Base Adjustment	-	(537,701)	-0.50%
Rentals from Cash Machines	-	3,000	0.00%
Sub-Total	155.19	23,394,110	21.97%
Student Affairs			
Student Affairs Admin.	3.80	623,598	0.59%
Enrollment Services	34.62	5,041,475	4.73%
Recreation & Athletics	6.87	872,204	0.82%
Police Services	16.03	2,507,389	2.35%
Student & Acad. Suppt. Svs.	27.99	3,249,119	3.05%
Divisional Base Adjustment	-	34,995	0.03%
Application Fees	1.00	385,921	0.36%
Health and Counseling Fees	6.67	1,327,142	1.25%
Administrative Allowance Accounts	0.20	30,383	0.03%
Sub-Total	97.18	14,072,226	13.22%
Advancement			
College Advancement	10.00	1,976,865	1.86%
College Relations	9.50	1,838,737	1.73%
Alumni	1.00	228,438	0.21%
Divisional Base Adjustment	-	(20,220)	-0.02%
Sub-Total	20.50	4,023,820	3.78%
President's Operation			
BOT, President & Staff	8.50	2,252,229	2.12%
Wa. State Inst. - Public Policy	2.80	1,965,093	1.85%
Sub-Total	11.30	4,217,322	3.96%
** Net (Reserves and Undistributed)	-	367,450	0.35%
Total Operating Budget	645.07	106,486,594	100.00%

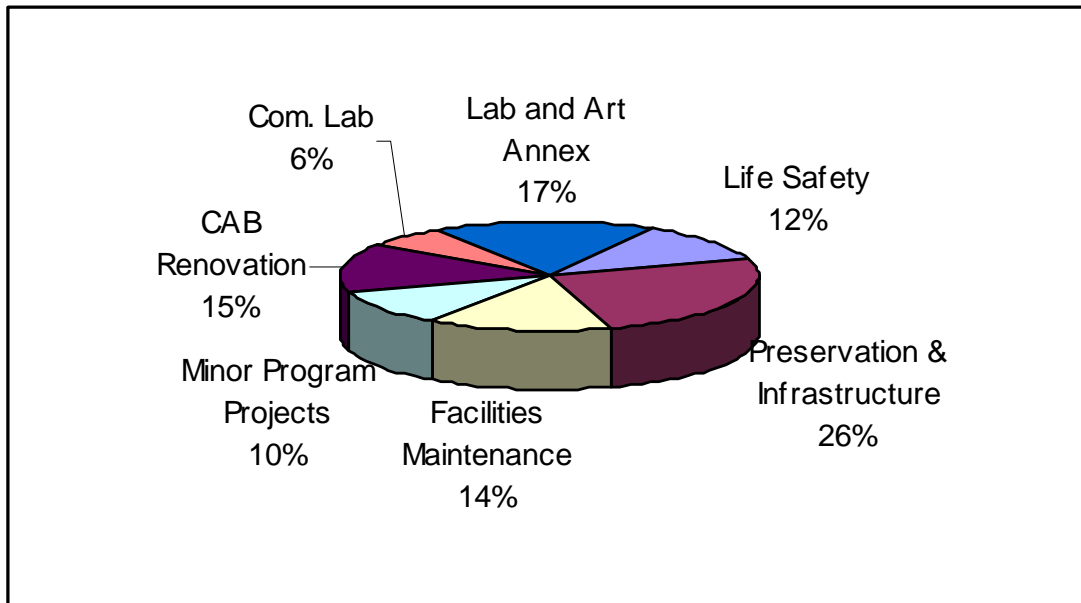
* FTE's are full-time equivalent faculty and staff employees assuming 12-month employment

** The 2010 Health benefit increases are not yet distributed and therefore overstates the level of college reserves

How is the Capital Budget Spent?

Evergreen's strategic plan forms the basis for its capital budget request and 10-year capital plan. Three main elements form the College's capital program: preservation of existing buildings and building systems; increasing demands of users for technology; and enrollment growth.

2009-11 Capital Budget by Appropriation (Dollars in Millions)



Life Safety and Code Compliance Projects	\$3.2
Campus Preservation & Infrastructure Projects	7.1
Facilities Maintenance	4.0
Minor Omnibus Program Projects	2.9
College Activities Building Renovation	4.1
Communication Lab Preservation	1.8
Lab and Arts Annex Preservation	4.8
TOTAL	\$28.1

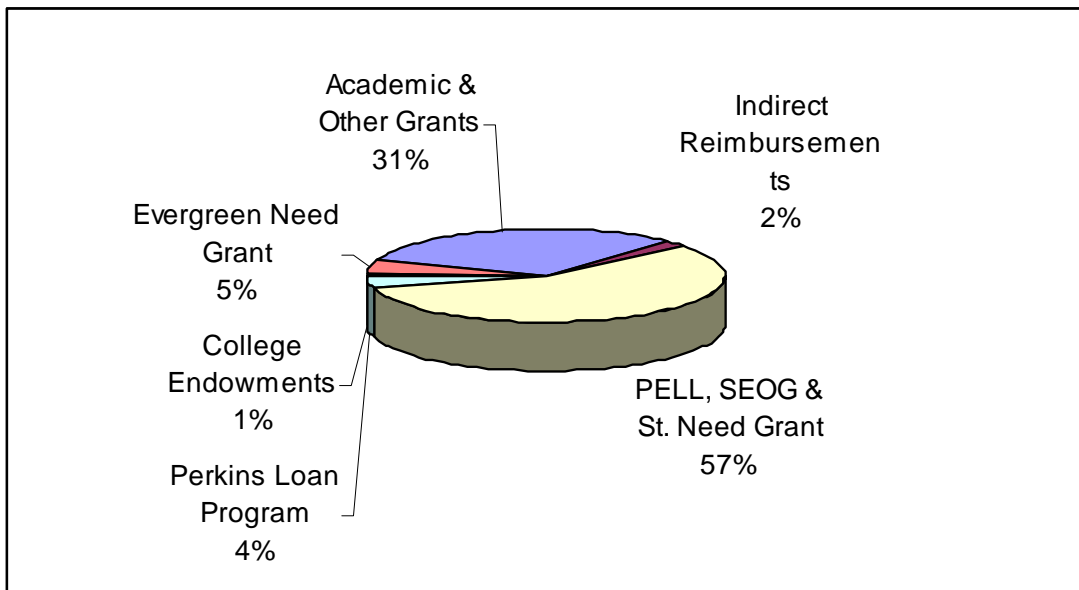
Note: The legislature specifically appropriates funds to the college's capital program for these projects. The funds can't be used for any other purpose.

How is the Grants and Aid Budget Spent?

Almost 70% of this budget is direct pass-through money from federal, state and private resources for direct student aid. About 58% of our students accept and are dependent upon some form of financial aid to pay for their total cost of attendance. Tuition is the most visible component of the cost of attendance (28% for resident students and 53% for non-resident students).

The other quarter of the grants and aid budget is directly related to the creativity and enterprise of Evergreen's faculty and staff in formulating successful proposals for grants and contracts to improve the quality of the educational experiences for students through various sponsored research and program activities. The following chart details the components of the Grants and Aid budget:

**2009-11 Grants and Aid Budget
(Dollars in Millions)**



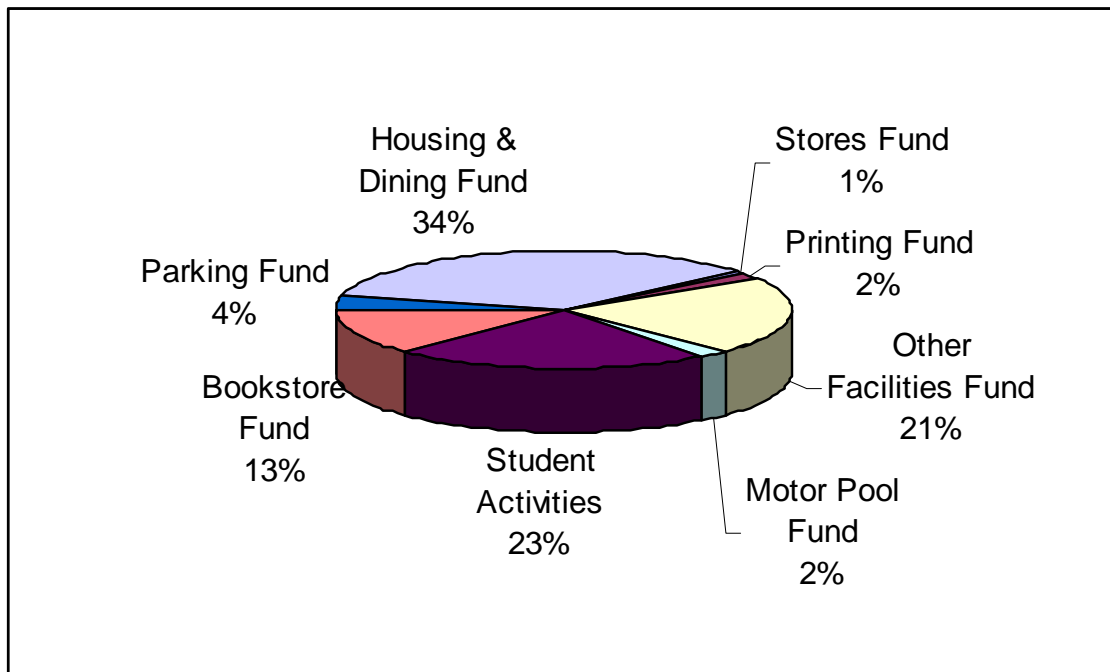
Academic and Other Grants	\$ 10.1
Indirect Cost Reimbursements from Grants	.7
College Endowment	..2
PELL, SEOG & State Need Grant	18.3
Perkins Student Loan Program	1.3
TESC Student Need Grant Program	1.7
TOTAL	\$32.2

Note: These resources are granted to the college for specific reasons and cannot be used for any other purpose. However, the college is allowed a small indirect cost reimbursement for the grants and contracts that we administer. These resources are directed back to support the library, the college unit performing the grant requirements and to the provost to stimulate further successful grant requests.

How is the Auxiliary Budget Spent?

Auxiliary activities are discrete business units designed to support the mission and goals of the college on a break-even basis. Evergreen's auxiliary activities, in most cases, enhance the quality of student life by providing needed services at the lowest possible cost to students. For this reason, the overall financial goals of our auxiliary activities are that they at least break even with respect to direct revenues and costs. With the exception of food services, which is contracted, all auxiliary activities are run and managed by college employees. The following graph reflects the size of our various auxiliary activities.

**2009-11 Auxiliary Budget by Activity
(Dollars in Millions)**



Photo, Audio, Music Imaging, Shop Stores	\$.2
Duplicating	.5
Other Facilities Fund	5.9
Motor Pool	.6
Associated Students (S&A)	6.4
Bookstore	3.5
Parking	1.0
Housing, Dining and Conferences	\$ 9.9
TOTAL	\$28.1

Note: Although auxiliaries have been setup to operate on a break-even basis, they are overseen by the college and are charged indirect costs to support the college operating budget.

Glossary of Commonly Used Budget Terms

General Fund – State (GF-S) – The General Fund – State serves as the principal state fund supporting the operation of state government. All major state tax revenues (sales, business and occupation, property tax, and others) are deposited into this fund. 60% of Evergreen’s operating budget is supported by these funds.

Appropriations – A legislative authorization for an agency or other governmental unit to make expenditures and incur obligations (1) for specific purposes, (2) from designated funding sources, and (3) during a specified time period. Evergreen receives appropriations to support the operating and capital budgets.

Biennium – The 24-month period from July 1 of odd numbered years to June 30 of odd numbered years, such as the 2001-03 biennium, which runs from July 1, 2001 to June 30, 2003.

Fiscal Year (FY) – The 12-month period from July 1 to June 30, expressed in terms of the first six months of the next calendar year. For example, the FY 2002 fiscal year runs from July 1, 2001 until June 30, 2002.

Bowwave – The incremental carry-forward costs of programs and services authorized by the Legislature that is partially funded in the current biennium. For example, enrollment growth funded only in the second year of the current biennium at 1 million will grow to 2 million in the next biennium.

Current Services Level – The term used in the legislative process to represent the ensuing biennium costs of currently authorized state programs and services plus the additional bowwave costs for expenditures that were authorized by the Legislature to be larger in the second year of the current biennium. The current service level becomes the base level of expenditures before consideration of policy changes such as additions or budget reductions.

Base Budget - The on-going cost of operations is often called the permanent or base budgeted level. This is tightly controlled to ensure that a firm base line is established. Changes to increase or decrease the permanent budget require policy action on the part of the college’s Senior Staff, the President and usually the Board of Trustees. Whereas the state’s current service level budget only documents the General Fund – State portion of the budget, our base budget includes all of the college’s resources supporting the operating budget, including the General Fund – state, student tuition, and local dedicated funds.

One-Time Resources - Represents budgetary flexibility that can be used to make one-time acquisitions/investments. Generally, these resources accumulate when actual costs are less than budgeted or when tuition collections are higher than anticipated. These resources are used for operating reserve/contingency and to make one-time purchases based on college priorities. Examples of one-time purchases include faculty and staff training and computer lab replacements.

Unavoidable Cost Increases (Must-do’s) – The college often experiences cost increases that are not funded by the legislature but must be provided for in the college’s internal budget process. Since this usually requires re-allocation, the president and vice president’s examine options within existing allocated divisional resources before adding any item that must be solved institutionally.

Local Dedicated Funds – A local dedicated fund, as the name implies, refers to a few activities where fees are collected for services and those fees are to be used for a specific (dedicated) purpose. Examples include summer session, application fees, and health and counseling, etc.

Full-Time Equivalent (FTE) Faculty and Staff – Paid time equal to 2,088 hours per year fiscal year. Generally, one FTE equals one full-time position, assuming year round employment. This standardized approach means that faculty are counted as .75 FTE.

Full-Time Equivalent (FTE) Student – Total annual average undergraduate credit-hour load divided by 15 and total annual average graduate student credit hour load divided by 10.

Office of Financial Management (OFM) – The Governor’s budget office. OFM also maintains the statewide accounting system and central book of accounts, forecasts population and school enrollment trends, and prepares official census estimates.

Board of Trustees - The 8-member College Board of Trustees are appointed by the governor and confirmed by the Legislature. The Board of Trustees is bound by state law with the powers and responsibilities to set overall policy and direction for the college. They are ultimately responsible for: establishing the college’s long-range plan, operating and capital budget requests to the Legislature, setting student tuition and fees and adopting the official college expenditure plans (budgets).

Senior Staff – The Senior Staff serve as the primary advisory group (staff) to the President in formulating and administering college policy. Each of the four vice presidents, the Executive Associate to the President, the Academic Dean responsible for Budget, the Executive Director of Operational Planning and Budget, the Director of Governmental Relations, the Associate Vice President for Enrollment Management, the Director of College Relations, and the Administrative Assistant to the President are members of the Senior Staff. The President is ultimately responsible to the College Board of Trustees in managing the day-to-day operations of the college and for recommending policy such as the college’s budget plan.

Office of Operational Planning and Budget – The college’s central budget office. The Office of Operational Planning and Budget reports to the college president and supports the vice presidents in formulating college budget policy. This office maintains the college’s budget controls and prepares official college reports, including the biennial operating budget requests to the Governor and Legislature.

Divisional Budget Coordinators – Each Vice President has a position which has, among other assignments, the responsibility to serve as an expert on budget matters within the division. These divisional budget offices provide the basis for Evergreen’s unique matrix approach to college budgeting. The Divisional Budget Coordinators and the Office of Operational Planning and Budget work collaboratively in providing staff analysis and recommendations on college budget matters.