Western’s Board of Trustees, President, and senior administrators have always worked in concert to protect and enhance the financial stability of the University. Strong and conservative financial planning remains consistent with Western’s academic mission and strategic goals, and the University administration continually refines fiscal oversight and internal controls to preserve financial stability. Western has also bolstered its communication with state and campus constituents to ensure that the community and its governing bodies are responsible and well-informed.

In accordance with the Board of Trustees’ Rules of Operation (ROP), Section 010 (see Core Exhibit: Rules of Operation), the Board authorizes and empowers the President to lead and manage the internal operations of the University. The President, as the principal administrative officer of the University and of the Board, has “responsibility for the development and administration of policies and management of the institution,” including financial planning and budgeting matters. Section 020 (3.d.) of the ROP defines the authority, powers, and duties of the Board, and the Board reserves for itself final approval of all operating and capital budget requests before these are submitted to the Governor and legislature (the biennial operating budget request, the biennial capital budget request, ten-year capital budgeting plan, and all supplemental budget requests). The Board also has final approval over annual operating budget allocation plans. (See also Standard Six.)

The President, in turn, empowers the Business and Financial Affairs Division of the University with primary responsibility for fiscal management. The chief financial officer, the Vice President for Business and Financial Affairs (BFA), ensures that all fiscal operations are monitored in accordance with the state, federal, and local law. The University’s operating budget officer, the
Executive Director of University Planning and Budgeting, reports directly to the President; the Director of Capital Budgets reports to the Vice President of Business and Financial Affairs. Within the Business and Financial Affairs division, all financial responsibilities, including the preparation of financial statements, are monitored by the Assistant Vice President for Financial Services, who oversees investing, accounting, cashiering, and purchasing operations. (See Figure 1.)

The strength of Western’s financial operations is further enhanced by the University’s organizational structure, which distributes operating, budgeting, and fiscal responsibilities to each division Vice President. After the central budget office distributes state operating budget appropriations and tuition revenue to the divisions, the Vice Presidents authorize budgets, expenditures, and budget changes to reporting units (Colleges, departments, centers, units) throughout any fiscal year. Each Vice President adheres to Western’s policies and procedures, and each major division of the University has at least one budget and finance professional who provides overall direction regarding
Western's internal auditor—who reports directly to the Audit Committee of the Board of Trustees and to the President—helps to oversee these practices and ensure compliance. The University’s Internal Controls Officer, a position established in 2004 within the BFA Division, ensures continuing sound financial controls.

**Operating and Capital Budget Development**

Western’s financial planning processes closely align with the state appropriations' cycle, and they constitute an ongoing activity for both capital and operating budgets. The legislature meets annually in the state of Washington; however, biennial or two-year appropriations are enacted in odd-numbered years. In the interim years, supplemental appropriations may be enacted by the legislature, adjusting biennial budget appropriations. Thus, during the 2007 legislative session, the legislature enacted appropriations for 2007–09. During the 2008 session, modifications in the form of supplemental budget adjustments to the 2007–09 biennial appropriation may be enacted.

Preparation for the submission of the biennial budget request to the Governor and to the legislature begins at least one full year in advance of the legislative session dedicated to establishing the biennial budget. Under the direction of the President, and in accord with Western’s Strategic Action Plan, Western’s Vice Presidents work with their units to analyze budget needs and proposals for program maintenance and/or enhancements. These requests and ideas are formalized and presented to a variety of constituencies in several settings: the President’s Planning and Resources Council (PPRC), the President’s Council, the Provost’s Council, the University Planning Council of the Faculty Senate, and the Executive Council of the Faculty Senate. The President then submits a well-formulated and consolidated biennial operating budget to the Board of Trustees for evaluation, discussion, and approval. In early September of each even-numbered calendar year, the biennial budget request is submitted to the Governor, to the legislature, and to the Higher Education Coordinating Board. During this time period, the University continues to work closely with the Governor’s budget office, the Council of Presidents of the Washington Public Universities, the Higher Education Coordinating Board, and legislative fiscal staff in order to keep all parties informed of the progress and needs of the University.

Western is careful to align its biennial operating budget request proposal—as submitted to the Governor and to the legislature—with its capital budget request and the ten-year capital plan. Together these requests—capital and operating—are informed by Western’s Strategic Action Plan and represent the University’s best effort to be responsive to the needs of Western students, the citizens of the state, and to the economic health of the state and region.

**Most Recent Budget Requests: Engaged Excellence in Action**

The 2007–09 operating budget request clearly reflected Western’s
strategic goals for interactive learning and active student participation. For example, the biennial request included funding proposals for two new undergraduate research/intensive learning programs: BRAIN (Biomedical Research Activities in Neuroscience) and AMSEC (Advanced Materials Science & Engineering Center). Also, Western’s goal of achieving diversity was reflected throughout the request, and funds were specifically sought to support University-wide activities that attract and maintain a diverse workforce, increase access for disabled students, and help to make college possible for at-risk and underserved populations. (See Exhibit 7.1: Legislative Briefing Packet, 2007-09.)

These proposals were guided by Western’s mission “to bring together an increasingly diverse and talented student body, faculty, and staff to form a learning community” and strategic objectives such as “demonstrating engaged excellence in interactive learning and the active participation of students in scholarly and creative activities.” Finally, the operating budget request sought funds to fully support students enrolled in teaching and human services programs, including increased support for the TESOL (Teaching English to Speakers of Other Languages) program tracks that produce learners and graduates dedicated to “civic engagement…leadership, effective citizenship, and social responsibility”—all strategic objectives of Western’s new Strategic Action Plan.

The capital budget request and ten-year capital plan also reflect the University’s long-standing commitment to develop and maintain the functionality and beauty of Western’s physical environment. As noted in Western’s Strategic Action Plan, the University encourages continued efforts to ensure that the campus environment remains healthy, safe and secure. In addition, Western’s campus facilities will continue to be developed or redeveloped to provide flexible, efficient, and sustainable learning environments for our students. (See Core Exhibits: 2007-09 Capital Budget and ten-year Capital Plan. See also Exhibit 7.2: Capital Budget Documents.)

**Capital Budget Requests: Preservation and Program Improvements**

The biennial capital budget request and ten-year capital plan closely follow the planning guidelines established in previous long-range capital planning documents, while still allowing flexibility to address evolving opportunities. Western’s capital budget request is informed by Western’s Strategic Action Plan, the Institutional Master Plan, the Higher Education Coordinating Board’s Master Plan for Higher Education, and the legislative requirement to create a single prioritized ranking of capital projects for all public four-year institutions (led by the Higher Education Coordinating Board and the Council of Presidents, in consultation with the Governor’s Office of Financial Management). This coordinated approach to prioritization was initiated in 2003.

All Western capital project requests are designed to augment the basic core of facilities that are available to fulfill the goals and objectives of the
University. Every effort has been made to exercise responsible stewardship with respect to the state’s past and future investments in Western’s physical facilities. (See also Standard Eight.)

Capital Budget Funding

Three primary sources fund Western’s state-appropriated capital projects. Major capital projects and preservation projects are typically funded from State General Obligation bonds or Gardner-Evans Higher Education bonds. Smaller projects, typically of a programmatic nature, are funded from revenue generated by Normal School timber sales and a component of student tuition known as the “capital building fee.”

The state passed legislation in its 2003 session that significantly changed the capital budget request process and timeline for four-year higher education institutions, beginning with the 2005-07 capital budget cycle. The new law required the state’s six public baccalaureate institutions to work together to establish a comprehensive, integrated and prioritized list of capital project requests for submittal to the Higher Education Coordinating Board (HECB) no later than August 1 of each even-numbered year. This legislation also directed the HECB, in consultation with the Office of Financial Management (OFM) and the Joint Legislative Audit and Review Committee (JLARC), to develop common definitions, criteria framework categories, and a rating system to be used in developing the prioritized capital project ranking.

During the 2005 legislative session, legislators and staff involved in the development of the capital budget provided additional guidance on how to enhance the development of the public baccalaureate capital project list. This guidance was articulated in the 2005-07 Capital Appropriations Act, and it refines the methodology for determining the ranking of project requests, directs representatives of the HECB to participate in the process of scoring project requests, and asks the HECB to identify statewide priorities for higher education capital investments in consultation with the appropriate fiscal and policy committees of the legislature.

Western’s internal biennial capital budget request process begins in November of odd-numbered years, when the minor capital request forms and guidelines are provided to each Vice President for distribution to departments. The resulting project requests are reviewed and prioritized up through the Vice Presidents and submitted to the Capital Budget Office, in mid December, for continuation in the process. Cost estimates for the top priority minor capital requests ($25,000 to $2 million dollars) and newly defined intermediate level requests ($2 million to $5 million) are developed by Facilities Management. The project requests are then submitted to a staff working committee for prioritization and subsequent recommendation to the President’s Council. The Board of Trustees considers recommendations made by the administration and acts on a capital budget request that will be forwarded to the Governor and the legislature.

Western has been successful in acquiring state capital appropriations
and, for the 2007-09 biennium, secured the third largest capital budget in University history: $47.6 million. This followed on the heels of the 2005-07 capital budget, which was the largest in Western's history at $73.5 million.

However, Washington State is currently experiencing more pressure on the capital budget as the state infrastructure ages, and as more state functions require capital facilities. Western is increasingly aware that higher education's historical share of the capital budget has declined over time. Capital funding for the public baccalaureate (four-year) institutions has declined from 62% of state higher education capital spending in 1987 to 43% in the biennium ending in 2007 (see Exhibit 7.3: “UW Investing in Washington's Future,” January 2006). This funding challenge of enrollment growth, preservation of existing assets, and accommodation of new program requirements will be addressed by increasing grants, donor contributions, and new student fees.

Also, in 2003, the legislature passed a bill allowing a new funding stream for capital construction and renewal at higher educational institutions. The bill was sponsored by former Governors Evans and Gardner, as well as various higher education governing and coordinating groups, such as the Council of Presidents for the four-year public institutions. The state appropriations from this new funding source are referred to as “Gardner-Evans.” Western received a total of $61,956,000 over four years from this source. This funding allowed for pre-design, design, and construction of the Academic Instructional Center, and for the renovation of Bond Hall.

**Capital Planning within Western's Housing & Dining System**

Capital plans of the Housing & Dining System remain consistent with Western's mission and strategic goals. The residential experience supports diverse and inclusive communities that foster active learning, leadership, social responsibility, civic engagement, and effective citizenship. The program is continually assessed by obtaining feedback from students through surveys and advisory groups; new facilities and remodels take this feedback into account and are designed with flexibility to adapt to changing demand for the future. (See also Standard Three.)

The Housing & Dining System capital plans match enrollment growth projections, while incorporating demand management tools to make most efficient use of resources (e.g., triple rooms, super single rooms, leasing beds, housing students from Whatcom Community College when space is available). Western has set sustainability as a major goal with regard to current operations and design of new residence halls. This includes green building methods and accepted green operating practices in custodial operations. Western's residential facilities are maintained to a standard of high quality, enhancing the learning environment for students and providing safe and secure living conditions. (See also Standard Eight.)

The Vice President of Student Affairs, Division Budget Director, University Residences' Administrative Team, and representatives from Business & Financial Affairs serve in planning and decision-making roles.
regarding growth in capacity and financial planning. Students and other constituents are also involved in long-term planning through the Residential Advisory Committee, the Residence Hall Association, the Associated Students Board, and other avenues. (See Exhibit 7.4: Residence Hall Association Committee (RHAC) membership list and sample meeting minutes.) Enrollment growth plans drive bed capacity with the overarching goal of maintaining a residential campus with 92% of freshmen in occupancy (see Exhibit 7.5: WWU Calculation of Housing Demand). A 2006 bond issue provided funds for the renovation of Higginson Hall.

New facilities and remodels are attentive to universal design, sustainability concepts, and living-learning environments. Sprinklers are included in major remodels of all residence halls, and all residences have been wired for high speed Internet access for the past three-four years. Current plans are for 100 new beds adjacent to Buchanan Towers by fall of 2010. Western gives particular attention to sustainability practices, such as green building materials, energy efficient design, and multi-use community areas within the new hall. (See Exhibit 7.6: Fiscal Performance Summary on Planned Bond Issues—Housing and Dining.)

University Residences is currently piloting an off-campus lease of twenty beds and may use this method to meet some of the future demand as an alternative to constructing new halls. Discussions regarding potential development of an off-campus presence on the Bellingham waterfront have mentioned affordable housing for upper division/graduate students, faculty, staff, and visitors, but funding for development at the waterfront is not yet integrated into the Housing & Dining System Capital Plan.

**Results of the 2007 Legislative Session:**
**2007-09 Operating and Capital Budgets**

As indicated previously, Western secured the third largest capital budget in University history—$47.6 million. Capital Budget highlights for the 2007-09 biennium include:

- $20 million for minor works preservation and programmatic projects throughout campus.
- $7 million in supplemental funding for the Academic Instructional Center, to support construction and provide furnishings and equipment for the new facility, now under construction on Western's south campus.
- $5.5 million in design funding for the renovation of Miller Hall, one of Western's oldest buildings, housing the Woodring College of Education and others.
- $400,000 in pre-design funding for Carver Gym, which will help to further refine the best approach for renewal and adaptive use of this facility located in the campus core.
$11 million to support Academic Facility Modernization projects of an intermediate size, including the Chemistry Building Laboratory Addition, Wilson Library Special Collections area development, all-weather playfield replacement, and general university classroom upgrades.

In the past decade and prior, Western counted on the state to provide funding for operating budget carry-forward, maintenance, enrollment growth, and salary increases. However, Western’s biennial operating budget request for 2007-09 took a different approach that reaped excellent rewards for the University. The 2007 legislature—for only the second time in Western’s history—answered Western’s request for investment of several million dollars for specific programmatic support. While overall Western received a 19.7% increase in state support, much of this new funding was targeted to specific program expenditures. Importantly, an amount of $3.3 million was appropriated for the AMSEC and BRAIN proposals, as well as for the continuation of planning for a Western waterfront campus presence in Bellingham (see Standard One and Standard Two for a description of these proposals).

State funding was provided to make permanent a 2006-07 1.6% salary increase for all faculty and staff. Pursuant to negotiated contracts with classified staff, funds were received for a 3.2% salary increase in 2007-08, a 2% salary increase in 2008-09, and to provide range and job classification adjustments to market rates in accordance with the state’s Department of Personnel 2002 Salary Surveys. For professional staff and faculty, state funds were provided to cover the majority of an average 3.2% increase in 2007-08 and an average 2% in 2008-09.

The 2007-09 budget also authorizes Western’s Board of Trustees to increase resident undergraduate tuition by up to 5% annually, and provides corresponding increases in state financial aid service levels to hold eligible students harmless from annual tuition increases. The Trustees approved a 5% increase per year in resident undergraduate tuition, resident graduate tuition, and nonresident undergraduate tuition, and they held non-resident graduate tuition at its current levels for 2007-09.

Western’s state operating expenditures are supported primarily by state appropriations and tuition operating fees. Summaries of state appropriations and estimated net tuition operating fee revenue for each fiscal year of the 2007-09 biennium are included in Tables 1 and 2. Tuition operating fee revenue is presented net of waivers and the 3.5% student loan/grant fund assessment. For FY 2008, the State Operating Budget will include $73.6 million in state appropriations (General Fund-State, Education Legacy Trust Account, and Education Construction Account), and $49.2 million in net tuition operating fee revenue, a total of $122.9 million.
### TABLE 1
COMPARISON FY 2008 TO FY 2007 STATE OPERATING BUDGET BY FUNDING SOURCE

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>FY 2007</th>
<th>FY 2008</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund-State</td>
<td>$61,611,485</td>
<td>$66,716,000</td>
<td>$5,104,515</td>
<td>8.29%</td>
</tr>
<tr>
<td>Education Legacy Trust</td>
<td>$2,317,000</td>
<td>$5,110,000</td>
<td>$2,793,000</td>
<td>120.54%</td>
</tr>
<tr>
<td>Pension Funding Stabilization Account</td>
<td>$310,000</td>
<td>$0</td>
<td>($310,000)</td>
<td>-100.00%</td>
</tr>
<tr>
<td>Education Construction Account</td>
<td>$1,807,000</td>
<td>$1,807,000</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>$66,045,485</td>
<td>$73,633,000</td>
<td>$7,587,515</td>
<td>11.49%</td>
</tr>
<tr>
<td>Tuition Operating Fees</td>
<td>$45,789,867</td>
<td>$49,238,038</td>
<td>$3,448,171</td>
<td>7.53%</td>
</tr>
<tr>
<td>State Operating Budget</td>
<td>$111,835,352</td>
<td>$122,871,038</td>
<td>$11,035,686</td>
<td>9.87%</td>
</tr>
</tbody>
</table>

For FY 2009, the State Operating Budget Plan includes $78.5 million in state appropriations (General Fund-State, Education Legacy Trust Account, and Education Construction Account), and an estimated $51.1 million in net tuition operating fee revenue, a total of $129.6 million.

### TABLE 2
COMPARISON FY 2009 TO FY 2008 STATE OPERATING BUDGET BY FUNDING SOURCE

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>FY 2008</th>
<th>FY 2009</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund-State</td>
<td>$66,716,000</td>
<td>$69,917,000</td>
<td>$3,201,000</td>
<td>4.80%</td>
</tr>
<tr>
<td>Education Legacy Trust</td>
<td>$5,110,000</td>
<td>$6,735,000</td>
<td>$1,625,000</td>
<td>31.80%</td>
</tr>
<tr>
<td>Pension Funding Stabilization Account</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Education Construction Account</td>
<td>$1,807,000</td>
<td>$1,807,000</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>$73,633,000</td>
<td>$78,459,000</td>
<td>$4,826,000</td>
<td>6.55%</td>
</tr>
<tr>
<td>Tuition Operating Fees</td>
<td>$49,238,038</td>
<td>$51,155,532</td>
<td>$1,917,494</td>
<td>3.89%</td>
</tr>
<tr>
<td>State Operating Budget</td>
<td>$122,871,038</td>
<td>$129,614,532</td>
<td>$6,743,494</td>
<td>5.49%</td>
</tr>
</tbody>
</table>

Western’s strategic plan includes slow, gradual enrollment growth to 12,500 FTE students, and new enrollment funding has been the primary source for program and salary initiatives and inflation funding in Western’s past budgets. While the 2007-09 budget includes state support for an additional 293 FTE students in 2007-08 (plus an additional 153 FTE students in 2008-09), it is important to note that 130 FTE out of the 293 in 2007-08 are already attending classes on Western’s campus in Woodring College’s Human Services (ninety-seven FTE) and TESOL programs (thirty-three FTE). Western successfully proposed to the 2007 legislature that these two programs be converted from self-sustaining to state-supported status, beginning in the 2007-09 biennium. Western received state funding support for students currently enrolled, as well as for expansion of enrollments in both programs (see also Standard 2.G).

As shown in Table 3, Western’s state-supported enrollments will grow to 12,022 FTE for 2007-08, including an additional 293 budgeted enrollments.
For 2008-09, with an additional 153 budgeted enrollments, Western’s state-supported enrollments will be 12,175 FTE. Thus, by the end of 2007-09, budgeted enrollments at Western will be recorded as 12,175 state-supported FTE. This will put Western on track to reach the established target of 12,500 FTE on campus by 2012, when state-wide University enrollments are expected to level off.

<table>
<thead>
<tr>
<th>2006-07 Current Budgeted FTE Enrollment</th>
<th>2007-08</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Math &amp; Science Enrollments in Cell &amp; Molecular Biology</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>High Demand Enrollments in Early Childhood Education</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>High Demand Enrollments in TESOL</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>General Enrollments</td>
<td>120</td>
<td>240</td>
</tr>
<tr>
<td>General Enrollments - Human Services</td>
<td>115</td>
<td>125</td>
</tr>
<tr>
<td><strong>2007-09 Budgeted FTE Enrollments</strong></td>
<td><strong>12,022</strong></td>
<td><strong>12,175</strong></td>
</tr>
<tr>
<td><strong>Annual FTE Enrollment Growth</strong></td>
<td><strong>293</strong></td>
<td><strong>153</strong></td>
</tr>
</tbody>
</table>

In order to preserve Western’s faculty-student ratio—along with Western’s commitment to a learning environment that ensures close faculty-student interaction—an additional 29.25 state-supported tenure and tenure-track FTE faculty positions were funded for the new biennium. Of these 29.25 faculty members, 9.00 FTE faculty resulted from the conversion to state-support of the Human Services and TESOL programs.

**Annual Operating Budget**

Based on biennial budget allocations, Western formulates and enacts the annual operating budget allocation plan in the spring of each year. This cycle allows the President and Vice Presidents an opportunity to carefully review Western’s requirements and needs based on more immediate data, such as enrollment of new students, enrollment of transfer students, retention rates, graduation rates, faculty and staff retirements, updated operating expense projections (utilities, rental costs, building maintenance, salaries, and benefits), or program modifications that may be necessary due to developing trends (such as the reduction in computer science majors these past few years or growing student interest in other majors). This allocation plan is then reviewed by the President’s Planning and Resources Council, as well as by faculty governance committees, and submitted by the President to the Board of Trustees for evaluation and approval.

The Board recently approved the 2007-08 operating budget, including such items as:
- new positions for financial aid and admissions
- the funding of a new Vice Provost of Faculty Relations
Allocating New Resources to Existing Programs

The President’s Planning and Resources Council (PPRC)—established in April 2005 to include broad representation from faculty, staff, and students—provides counsel and recommendations to the President on a variety of issues related to the planning and allocation of operating budget resources. The PPRC assists the President in establishing priorities and broadly addresses how the University will proceed in allocating resources as guided by its new Strategic Action Plan. PPRC replaced the University Budget Advisory Committee (UBAC), which had been in place for the previous decade. The PPRC directly considers the University biennial operating budget request to the Governor and Legislature, as well as Western’s annual operating budget allocations. The Vice Presidents of the University work with the PPRC to formulate and submit division budget plans for consideration. (See also Standard Six for a discussion of the advisory role of the PPRC.)

As a non-voting, advisory body to the President, the PPRC reviews budget requirements of existing programs, and the council was charged with considering all information in light of Western’s Mission and Strategic Action Plan. The PPRC considers, in full, all components of the state operating budget allocation plan, including revenue (state appropriations and net tuition operating fees), mandatory state budget adjustments, general salary increases provided by the legislature, and any state-mandated salary, program or workload adjustments. After these items have been accommodated, remaining revenue is allocated to priority divisional budget needs.

In the 2005-07 allocation process, for example, Western allocated funds for a variety of programs, including:

- new faculty positions in existing programs
- amelioration of faculty salary compression and race/gender equity issues
- enhancement of existing operational budgets for Colleges and departments
- funding library needs
- restoring and enhancing faculty start-up
• providing funds for professional services required for collective bargaining

Not all of the Vice Presidents' requests for funding are accommodated through this annual allocation process, and it is frequently the case that the Vice Presidents then review and reallocate budget within their own divisions in order to enhance resources in priority areas.

Allocation Resources for New Programs

Western invites academic departments to develop new academic or public service programs, especially as they enhance Western's mission. Once reviewed and approved at the departmental level, the proposal is presented at the college level for approval. If approved at the college level, academic proposals are forwarded to the Faculty Senate's Academic Coordinating Commission (ACC) for programmatic review. The Faculty Senate must also approve the new program following ACC approval (see Standard Six for a description of the role of the ACC).

At the state level, general concepts for new Academic degree programs are sent to the Higher Education Coordinating Board (HECB) for pre-approval to continue the planning process. Once this pre-approval is secured, a formal Academic Program Proposal is developed. It is approved at the administrative level at Western and forwarded to the HECB. There, the staff reviews the proposals and asks any pertinent questions. The program is then discussed at the HECB Education Committee meeting prior to final approval at the HECB meeting. To save time, ideally the HECB is notified early during the on-campus review process so that the two processes can run simultaneously.

Once new academic programs are approved by the HECB, if new funding is required, Western incorporates requests for funding within the biennial budget request to the Governor and legislature.

Publishing and Revising the Operating Budget

For the past twenty-three years, Western's office of University Planning and Budgeting has published Western's annual operating budget as approved by the Board of Trustees. The published budget is distributed to the Board, University administrators, the Faculty Senate's Executive Committee, and the Faculty Senate's University Planning Council. Copies are placed in the Wilson Library for general reference and the budget is posted on the University Budgeting and Planning website.

The budget provides administration with fiscal-year operating budget plans for each division of the University, including details at the level of each College, each department within a College, and each office and/or budget unit. Plans are included for state operating budgets (those units supported by legislative appropriations and tuition operating fee revenue), and self-sustaining fund expenditure profiles (those units supported by revenue generated by one or a combination of various student and/or user fees, such
as auxiliary enterprises, dedicated local funds, or internal services funds).

The publication of the budget always includes a great deal of contextualizing information to help readers use the publication most effectively. This information includes:

- A summary of the results of the previous legislative session.
- A breakdown of how annual budget resources were allocated by University administration.
- Western’s projected revenue and sources for the year, including grants and contracts.
- Estimates of operating expenditures by funding source, including state operating budget and self-sustaining funds.
- A comparison of the current year’s budget to the previous year’s budget.
- An analysis of the state operating budget by funding source.
- A comparison of tuition and fee rates year-over-year.
- Summary charts showing Western’s state-supported vs. actual student FTE enrollments for at least the past decade.
- All budgeted staff positions by organization and funding source.

With this kind of extensive information, the publication of the budget serves not only as an effective management tool, but the accumulative documents also provide nearly a quarter-century of budget history at Western.

The publication reflects the budget as initially loaded in the Banner Finance Module, so budget and finance managers have access to data through a series of Banner Finance screens and reports. These managers submit changes to University Planning and Budget as needed throughout the fiscal year, and the changes are entered into Banner Finance, posted to the operating ledger every fifteen minutes, and are available for immediate online viewing. The budget status report, distributed by Accounting Services on a monthly basis, reflects this revised budget. In addition to the budget status report, budget and finance managers also have access to the budget allotment report, which provides transactional budget detail.

**Strategic Planning for the Future**

The pace of strategic and financial planning has accelerated at Western in the past few years, focusing on long-range planning for programs that serve Western’s students and the state, while also planning for improved salaries and working conditions for staff and faculty. Strategic planning has been essential for assessing enrollment growth and for gauging how facilities will keep pace with this growth. A Strategic Planning Committee met throughout 2005 as part of the update and revision process for Western's
new Mission Statement and Strategic Action Plan, approved by Western’s Board of Trustees on June 9, 2006. (See also Standard One.) Advisory planning committees for waterfront development, sustainability, emergency management, campus health and safety, planning, and resources continue to meet and to consider how allocations will enhance Western’s core values.

As a state, comprehensive University, Western relies primarily on state-appropriated funds and/or tuition fee revenue to support its capital and operating budgets. However, in the past ten years, Western has sought different types of funding support to support capital projects and operating expenses. Grants, private and corporate donors through the Western Washington University Foundation, as well as student-initiated fees, have provided new resources.

State Appropriations

As has been the case with most state-supported institutions of higher education, much of Western’s financial planning depends upon state economic conditions. Over the past ten years, Western has endured reductions in state operating appropriations due to state revenue constraints. As indicated in Figure 2, the state’s share of support has declined from 72% to 61% of Western’s annual state operating budget when compared to tuition support. This shift has presented fiscal challenges for the University and for its students. Tuition and fee charges have increased during these years, and progress toward improving faculty salaries—just one program impact—has been hindered. (See Standard Four for a more comprehensive overview of Western’s six-year salary plan.)

![Figure 2: Annual State Operating Budget Percent Share of State Appropriations vs. Net Tuition Operating Fees 1993-94 to 2008-09](image-url)
With improved revenue conditions in the state of Washington in the current fiscal year, 2007-09 biennial appropriations for higher education throughout the state show significant improvement over the previous three biennia.

**Student Enrollment Increases**

As Western continues to experience a strong demand for enrollment, the University will continue to improve its enrollment planning and management activities. These strategies reflect Western’s commitment to diversity, its desire for an appropriate upper/lower division mix, and they take into account on- and off-campus student demand for courses and majors. Academic program goals remain a guiding force as well. The number of applicants for admission continues to exceed by far the number of students the University can accommodate due to space limitations and lack of sufficient funding for new faculty positions.

Figure 3 provides basic information on enrollment growth at Western and demonstrates that actual enrollments have exceeded budgeted or state-funded enrollments for many years—from a low of 55 FTE, or 0.5%, in 2006-07, to a high of 365 FTE, or 3.4%, in 2000-01. Western anticipates that over-enrollments will grow in the 2007-09 biennium to approximately 170 FTE per year, or 1.4% over budgeted/state FTE. As a direct result of Western’s enrollment management strategies practiced over the past few years, Western has successfully managed its enrollment levels closer to budgeted enrollment targets.
Tuition and Fee Rate Increases

The Washington State Legislature provides the Board of Trustees with tuition setting authority for all student categories at Western: undergraduate resident, undergraduate non-resident, graduate resident, and graduate non-resident. However, while the University is free to set tuition at any level in the latter three categories, the legislature requires the Board to implement tuition rate increases for undergraduate resident students at maximum levels set within the Omnibus Biennial Operating Budget. Importantly, the legislature has frequently imposed a General Fund-State (GF-S) budget reduction, equivalent to a portion of the revenue to be generated by such tuition rate increases. Thus, while cumulative tuition rate increases for full-time resident undergraduate students total 47.5% from FY 2002 to FY 2006, these increases were frequently offset by declining state support.

Western's graduate resident tuition rates remain competitive when compared to other public four-year institutions. However, because graduate non-resident tuition rates significantly exceed national averages, rate increases in 2005-07 and 2007-09 were not recommended for this student category. Western's tuition and fees for undergraduate resident students in 2006-07 were 15.1% lower than the national average for comparable public peer institutions as defined by the HECB, and 26% lower than public comprehensives in the Global Challenge States. While undergraduate non-resident tuition rates at Western and most other Washington four-year institutions remain higher than the national average, Western determined that raising non-resident undergraduate tuition would not discourage out-of-state students from attending Western. (See Core Exhibit: WWU Fees and Rates Book. See also Exhibit 7.7: Comparative Information on Tuition and Fees.)

**FIGURE 4**

**“TUITION” 1995-96 TO 2008-09 RESIDENT UNDERGRADUATE STUDENTS – ACADEMIC YEAR**
Figure 4 shows the historical growth in undergraduate resident tuition, Figure 5 shows mandatory fees at Western, and Figure 6 shows the relatively steady ratio between tuition and mandatory fees maintained over the years.
Student Involvement in Western’s Financial Health

In recent years, several new mandatory fees, initiated by students, have been implemented to support Western’s goals: a student recreation fee, a student renewable energy fee, a student technology fee, and a student transportation fee. A large part of Western’s character is determined by the high level of involvement our students show in creating innovative programs and initiatives; through their energy and determination, Western is able to surge forward in its fulfillment of the core values of engagement, integrity and innovation. (See also Standard Three.)

Student Recreation Fee

A student-initiated student recreation fee, established in February 2000 and supplemented with private donations, enabled the University to build a new Student Recreation Center in 2003. The Wade King Student Recreation Center’s facility and operations are funded with this student-initiated fee, and students and faculty are involved in reviewing budgets and recommending fee increases through the RCW prescribed process for Services & Activities Fees. Bond debt issued for construction is level debt service over thirty years, ensuring the adequacy of fee revenues to cover debt service over time. Bond covenants address Repair & Replacement Reserve contributions (based on Life Cycle Analysis review every five years; this fund balance is currently over $600,000), and the auxiliary also maintains a voluntary Operating Reserve (currently over $650,000) for potential extraordinary expenses such as insurance deductible and equipment replacement.

Student Renewable Energy Fee

In 2004, a Renewable Energy Fee, to a maximum of $19 per quarter, was proposed by the Associated Students (A.S.). The Board approved the implementation of the fee beginning 2005-06, and it was set at $1.05 per credit hour with a maximum of $10.50 per quarter. The fee stayed the same for 2006-07, but due to lower prices for green tags, the fee was lowered to 70¢ per credit with a maximum of $7 per quarter for 2007-08. This fee is assessed for all students, and the sole purpose of this revenue is to fund the purchase of renewable energy, a strategy designed to eliminate 100% of the University’s use of energy generated by traditional, non-renewable sources. This student-led initiative catapulted Western into a national leadership role in the renewable energy field. Western received the 2005 Green Power Purchasing Award, presented by the U.S. Department of Energy and the Center for Resource Solutions, in recognition of leading national green power purchasers and suppliers (see Exhibit 7.8: U.S. Dept. of Energy Award).

Student Technology Fee

In fall quarter, 1995, as a result of action taken by the A.S., Western implemented a Student Technology Fee. Students deemed that state-allocated equipment funds were inadequate to meet the projected technology
needs; as a result, Western created this fund to enhance the innovative quality of the student’s academic experience. Technology is increasingly used in support of instruction, and this fee enables Western to maintain and enhance the technological competency of students as it relates to their academic endeavors. Students also participate in the decisions to allocate fees for equipment purchases such as microscopes, student computers, or new software.

**Student Transportation Fee**

The student body voted in spring of 2007 to assess themselves a maximum $25 per quarter Transportation Fee. This fee will give all students a bus pass, as well as provide late-night shuttle service in the vicinity of the campus, the Lincoln Creek Park and Ride, and downtown Bellingham. This new fee and program is an effort by students to promote sustainable transportation behaviors by students, in addition to providing an increased level of service.

**Alternative Revenue Sources:**

**Cold Beverage Contract**

A ten-year exclusive Cold Beverage Contract has provided additional operating funds to Athletics, Housing & Dining, and Student Programs/Lectures. The Student Committee Charter specifies that funds will be utilized for programs that support the institution’s strategic directions, but for which other funding is not available. The contract ends in August 2008; a constituent review process will be initiated for advice on re-bidding of the contract.

**Grant Funding**

The Office of Research and Sponsored Programs (RSP) acts as Western’s clearinghouse for proposals submitted by all faculty and staff of the University, and also becomes the recipient of all grants and contracts awarded. Grant revenue—provided by various federal, state, and local governmental agencies, and by private organizations external to the University—is anticipated to be approximately $13 million in FY 2007, an amount more than 63% greater than the level of sponsored research in FY 1998 (approximately $8.2 million). (See Standard Four for a more comprehensive discussion of the role of RSP.)

Figure 7 shows recent growth in grant funding. It includes the Federal Transportation Authority (FTA) grant, as well as grants for research and sponsored programs.
In 2005, the Federal Transit Administration designated $1.9 million in grant funding for improvements of the Lincoln Creek Transportation Center. The funding will be used to address environmental concerns, including a more natural stream flow through the north side of the site, storm water mitigation, pedestrian paths, and a pedestrian bridge across the creek. The funds will also help Western complete the initial development of the Transportation Center. Western will seek other grant funding for additional enhancements, possibly including a parking structure.

**Western Washington University Advancement**

For an overview of how Western Washington University Advancement and the Western Washington University Foundation contribute to Western’s resources, see Standard 7.D.

**Financial Stability**

Growth in enrollment and tuition and fee charges have contributed to Western’s continued financial stability over the last five years. The University’s net assets have increased $32 million over the past three years, primarily as a result of Western’s on-going capital building program. The University’s capital appropriation from the state received during the 2005-07 biennium was the largest appropriation ever received by the University, and the appropriation received during the 2007-09 biennium of $47.6 million was the third largest in Western’s history. These increases fund much needed construction of academic facilities and related infrastructure. Both Moody’s and Standard & Poor’s rationale for Western’s A2 and A+ ratings were based partially on the University’s strong enrollment trends, stable demand, balanced operating performance, and a manageable debt burden (see Exhibit 7.9: Moody’s A2 Bond Rating).

**Financial Policies**

Western maintains its accounts in accordance with standard principles of fund accounting in order to ensure observance of any limitation and
restrictions placed on the use of funds. Western's resources are classified for accounting and reporting purposes into funds dedicated to specific activities. Beginning in FY 2002, the University adopted Governmental Accounting Standards Board (GASB) Statements 34 and 35 as they relate to fund accounting. The University also contracted with KPMG, LLP for the external audits of the financial statements. As a result of KPMG's suggestions for the financial presentation, and with the in-depth review of the fund transfers, the quality of the University's financial statements has improved.

Western established its own guidelines for transfers between the Housing & Dining System and the University (see Exhibit 7.10: Guidelines for University Use of Housing & Dining System Funds). These guidelines help ensure that funds will be used appropriately, and that each entity stands independently. While the University has a written agreement with the Housing & Dining System, other departments have borrowed funds under ad hoc agreements when it has been deemed financially prudent (e.g., A.S. loaned funds to the Bookstore for purchase of a new computer system).

**Adequacy of Financial Resources**

Figure 8 and Figure 9 show estimated revenue by source in 2006-07 and estimated expenditures for the state operating budget only by Division in 2006-07.

**Financial Reserves**

Western analyzes potential budget changes to ensure that adequate financial reserves exist to cover fluctuations in revenues, expenses, and debt service requirements. Western's management has reviewed fund balances, compared the ratios with Moody's analysis and with other institutions, and have found that fund balances of unrestricted funds are relatively comparable with similar institutions. To be fully comparable, however, Western requires a substantial increase in permanent (endowment) funds, as well as some increase in restricted expandable funds (primarily from gifts, and possibly grants, contracts, and permanent or endowment funds). In 2005, the University increased the endowment funds by adding $1.25 million to a quasi-endowment from the proceeds of the sale of the *Journal of Cross-Cultural Psychology*.

Debt service covenants clearly define the amount of reserves required to be held in trust for long-term obligations of the Housing & Dining System, and for the Student Recreation Center. The University has met the debt services requirements each of the past ten years. The Housing & Dining System also operates under Guiding Principles set by the Board of Trustees, which include minimum levels of financial reserves. The System is in compliance with all principles.

**Auxiliary Enterprises**

Western's auxiliary enterprises (Housing & Dining System including...
University Residences and the Viking Union/student activities, Campus Recreation, Associated Students Bookstore, University Conference Services, Extended Education and Summer Programs, and Parking & Transportation Services) are essentially self-supporting entities primarily providing services to individuals in the Western community, rather than to departments of the University. The activities of the auxiliary enterprises contribute and directly relate to the goals and mission of the institution by providing essential services necessary to a quality, comprehensive education. The auxiliaries pay the majority of operating costs from income earned, with a minimum of state-appropriated funds allocated to cover these costs. Western does assess an administrative assessment to these entities to cover the cost of shared facilities or services provided.

Income from the auxiliary entities in the form of an administrative services assessment contributes to covering the cost of administrative services provided by the University. The University is currently evaluating its administrative cost recovery fee in order to determine a more equitable and efficient methodology for assessing recapture of costs. This evaluation will determine the adequacy of the amounts currently being recaptured, and which revenue-generating activities should continue to be subject to this fee.

Extended Education and Summer Programs (EESP), since its present configuration in 2002, has contributed funds to programs within the Academic Affairs division (see also Standard 2.G), most prominently in its contributions from the Summer Session. Fifty percent of net income from Summer Session is now distributed to the Colleges, and these funds provide operational dollars as well as faculty development funding. The remaining 50% of net income is distributed to the Provost’s Office. Here the funds are allocated for Chair Stipends, Teaching and Research Grants, faculty development opportunities, and special program activities. In the last three years, funding from EESP has also been provided to enhance course offerings during the academic year. With this funding, Western has been able to increase the number of sections offered by limited-term faculty, enabling the University to partially address a bottleneck of core courses in several areas.

Financial Aid
See also Standard Three

Western provides financial assistance to students through a variety of federal, state, institutional, and private financial aid programs:

- Federal Pell Grant
- Federal Academic Competitiveness Grant
- Federal Science and Mathematics Access to Retain Talent Grant
- Federal Supplemental Educational Opportunity Grant
- Federal Direct Stafford and Direct PLUS loan programs
• Federal Family Educational PLUS loan
• Federal Perkins loan
• Federal and Washington State work study
• Institutional employment
• Federal Job Location and Development Program
• Washington State Need Grant
• Western Grant
• Institutional need-based and non-need-based waiver and scholarship programs
• Private donor scholarships
• Private alternative loans
• Alaska loan
• Short-term emergency loan programs

In 2006-07, Western disbursed $87 million in financial aid to Western students: 22.1% in grants and need-based tuition waivers, 7.9% in scholarships, 9.5% in earnings from employment, and 60.5% in loans. Since 1998, student aid disbursements and recipients increased from $52.4 million and 8,203 recipients to $87.0 million and 8,732 recipients in 2006-07.

As evidenced in the ratios above, loans are outpacing availability of free aid, leading to ever-increasing levels of student indebtedness. Studies show that low-income students are less likely to possess a positive attitude toward educational borrowing than do students from middle- to upper-middle income backgrounds. Perceived risks associated with borrowing serve as obstacles to postsecondary access and persistence for students from low-income families. Loans, rather than free aid, comprise the vast majority of student financial aid offered at most public institutions. Significant additional free aid, such as through grant and scholarship programs, is needed to increase the educational attainment of low-income and first-generation students in Washington.

The Financial Aid Office regularly monitors its student loan programs, and Western has consistently had a very low cohort Stafford loan default rate. The most recent rate (FY 2005) is 1.0%, which is the lowest among the Washington four-year public institutions. However, private alternative loans have increased for Western students from $244,160 to $2,571,214 in the ten-year period from 1997-98 to 2006-07. Private alternative loans cannot be consolidated with federal education loans. Therefore, students who borrow through both programs will have at least two payments per month after they graduate. Thus, there will be an increased need for loan counseling and debt management outreach.

Most critically, state demographics indicate that minority groups within the state of Washington all show notably faster growth rates and that by
2030, nearly one in three residents will be a minority. An examination of the expected family contributions of Western students from 2000–06 shows that Western students from ethnically-diverse backgrounds have, on average, had consistently lower expected family contributions than Caucasian students. Currently, insufficient gift aid exists through grant, waiver, and scholarship programs at Western to adequately meet the needs of these low-income students. Therefore, the challenge of making higher education affordable for low-income students at Western will grow, and become a priority, as the proportion of Western's low-income, ethnically diverse students increases.

Nevertheless Western constantly seeks ways to expand the availability of financial resources to Western students. In “Financial Aid Facts” (See Exhibit 7.11), aid disbursements, sources, and number of students served are summarized over the last twelve years. The federal FISAP reports show that Western consistently requests more federal campus-based aid allocations than it receives, and Western's State Need Grant and State Work Study records show that the University consistently requests and often receives supplemental state aid allocations. Western's students are invited to provide documentation that can possibly be used to increase their aid eligibilities for all aid programs. This in turn expands the availability of financial resources through some federal and state aid programs. Financial Aid works closely with scholarship donors and the Western Washington University Foundation to maximize scholarship funding for Western students. Via participation in Federal Experimental Sites, Western is waived from penalizing over 250 student borrowers per year who are about to graduate by prorating (reducing) their loans as a federal cost-saving measure.

The primary goal of Western's Financial Aid office is to reduce financial barriers to learning by providing students with financial assistance to help pay for their educational expenses. Western informs students of available aid programs, notifies them of their rights and responsibilities, and helps them to apply this knowledge. Additionally, the Financial Aid office serves Western's mission by developing the abilities of students to connect to the Western community and transfer skills to life beyond the campus through a broad range of employment and volunteer opportunities.

Financial aid counselors recognize that each student and family situation is unique. In addition to providing students with Western-specific financial aid publications, University Bulletins, Award Bulletin mailings, federal student loan letter mailings, individual award letters, and targeted bulls-eye messages, the Financial Aid office provides one-on-one counseling with students and their families through appointment and drop-in advising. Each application and any attending documentation is analyzed and given careful consideration, and Western invites students and their families to provide documentation of unusual circumstances to allow Western to increase aid eligibilities. Staff recalculate the expected family contributions of between 300-400 student aid recipients per year, based on documented financial hardship of students and/or parents. In addition, Western frequently adds
additional educational costs that exceed the standard cost components in
student financial aid budgets based on documented expenses to maximize
aid eligibilities.

The Financial Aid office seeks to promote a diverse student body by
providing scholarships to qualified students of different ethnic backgrounds.
The office collaborates with the Assistant Vice-President for Student
Affairs/Academic Support Services & Special Assistant to the President
for Diversity, the Office of Admissions, and Student Outreach Services to
provide over $400,000 in Multicultural Achievement Program waivers to
Western students. The office also publicizes the availability of scholarships to
qualified students of different ethnic backgrounds on its Scholarship Center
website (see http://www.finaid.wwu.edu/scholarships/).

During the past ten years, the Financial Aid office implemented a major
software conversion from institutionally-written programming to Banner
Financial Aid, created a website devoted to financial aid opportunities for
Western students, and promoted electronic filing of Free Application of
Federal Student Aid (FAFSA) over paper filing. The implementation of
Banner Financial Aid software created a vast array of procedural changes;
paper files are no longer needed to advise a student or revise a financial aid
award because up-to-the-minute information is readily available in Banner
online. Students are now able to perform job searches, including email
notifications of new job postings meeting their search criteria, online; search
scholarship offerings online; print their own financial aid forms from Western’s
website; and use email to ask questions and receive answers more easily.


debt Management

Western manages its debt effectively, enhancing the stability and
financial health of the University so that the institution may continue to
fulfill its goals. For example, Western acquires long-term debt only for long-
term assets. Currently, there is approximately $80 million of long-term debt;
the majority of this debt, ($76 million) is issued in the form of revenue
bonds. The institution’s Financial Advisor and Bond Counsel work with
management in capital planning and issuance of bonds, and rating Agency
reviews have been consistently positive.

Every two years, the Board of Trustees reviews the ten-year capital plan
for the auxiliaries, and, at that time, considers plans for any upcoming debt.
All bond issues are carefully evaluated to ensure that the revenue stream
is sufficient to retire the debt, and that the future of the auxiliaries will be
financially solid. The final decision on bond issues is made by the Board
of Trustees, ensuring that the increased debt does not adversely affect the
institution.

Debt to construct auxiliary facilities, such as student housing, recreational
facilities, and parking services, is supported by dedicated student fees or
revenue from operations. As the Housing & Dining System has the majority of revenue bond debt, and also the most activity with new bond issues, a set of guidelines was established at the request of the Board in the early 1990s. The “Guidelines for University Use of Housing & Dining System Funds” provide additional assurances to the Board that the system is sound, as it can retire its own debt while maintaining facilities in good condition.

The guidelines require minimum operating and repair/replacement reserve levels, debt service coverage ratio, occupancy percentage, annual maintenance expenditures, and the Board’s biennial review of the System’s Long Term Capital Plan: “Housing & Dining System Multiple Year Projected Growth Analysis” (see Exhibit 7.12).

Housing & Dining Capital Plan projections extend fifteen years to assess financial capacity and incorporate the following:

- Enrollment growth, retention, and occupancy assumptions.
- Room and board rate assumptions.
- Operating expense projections (including dining contract, salaries, utilities, etc.).
- Reserve levels and debt service coverage ratios required by bond covenants.
- Assumptions regarding cash vs. debt financing and consideration of alternative funding scenarios such as Internal Revenue Code Section 63-20’s and leasing arrangements.

Operating funds are set aside annually in a Capital Plan Reserve to provide funding for capital projects to be funded on a cash basis.

Revenue bonds were issued for a second auxiliary enterprise, the Student Recreation Center, in 2002. There has been no additional issue of debt for this auxiliary, and as there are no plans for additional debt, additional reporting guidelines have not been established.

In addition to the revenue bonds, the Board approved the use of Certificates of Participation for the acquisition of a parcel of land for the Lincoln Creek Transportation Center. Funding was provided through $2.6 million of Certificates of Participation issued through the state of Washington Certificate of Participation (COP) program. The University intends to repay these bonds from the Parking and Transportation System revenue over the next twenty years.

The balance of long-term debt, approximately $1 million, does not come to the Board for approval, as these funds are for the acquisition of equipment (not buildings or land), and have a shorter term. These agreements require approval by the Vice President of Business and Financial Affairs, as well as the respective division Vice President or Provost. Most are financed through the state’s COP program as the interest rates and terms are attractive.
Debt has also been issued to refund prior debt to take advantage of lower interest rates for the University. The most recent refunding bond issue was in May 2005, when $12.5 million of debt was issued to refund 1999 Housing & Dining bonds. Management expects the refunding will provide a savings of $662,000 over the life of the new bonds.

Western has identified a need for a formal written policy guiding the use and limit of debt and the Vice President of Business and Financial Affairs plans to complete this policy within the next year.

**Debt Service**

Debt service requirements are reviewed as part of Western’s financial statement preparation and prior to any new debt issuance (see Figure 10).

New debt financing of $9,620,000 revenue bonds occurred during FY 2006 for the renovation of a residence hall. An additional debt issue is tentatively planned for FY 2008 or 2009 to finance the construction of a new residence facility on campus to meet the growing number of students.

During FY 2007, new debt of approximately $2.6 million was issued for the acquisition of land for the Parking System. This acquisition was financed through the state of Washington COP program.
Within the next three years, the University expects to borrow for the construction of a new 100-bed residence hall. Figure 11 and Table 4 show the amount of debt issued each year, with a complete list of new debt. (See Exhibit 7.13: Debt Management Documents.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Borrowed</th>
<th>Type of Borrowing</th>
<th>Use of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$120,000</td>
<td>State COP</td>
<td>Equipment purchases</td>
</tr>
<tr>
<td>2004</td>
<td>$212,094</td>
<td>State COP</td>
<td>Equipment purchases</td>
</tr>
<tr>
<td>2005</td>
<td>$12,580,000</td>
<td>Revenue refunding bonds</td>
<td>Refund callable portion of 1999 revenue bonds</td>
</tr>
<tr>
<td></td>
<td>$393,741</td>
<td>State COP</td>
<td>Equipment purchases</td>
</tr>
<tr>
<td>2006</td>
<td>$9,620,000</td>
<td>Revenue bonds</td>
<td>Higginson Hall renovation</td>
</tr>
<tr>
<td></td>
<td>$388,623</td>
<td>State COP</td>
<td>Equipment purchases</td>
</tr>
<tr>
<td>2007</td>
<td>$2,590,000</td>
<td>State COP</td>
<td>Purchase of Lincoln Creek property</td>
</tr>
</tbody>
</table>

| Projected |                |                  |               |
| 2008      | $400,000       | State COP        | Equipment purchases |
| 2009      | $10,200,000    | Revenue bonds    | Addition of one 100 bed residence hall |
|           | $400,000       | State COP        | Equipment purchases |
| 2010      | 400,000        | State COP        | Equipment purchases |

### Internal and External Controls

When the federal government instituted the Sarbanes-Oxley legislation, the Board of Trustees reviewed its own responsibilities for financial matters of the University; as a result, the Board established a Board Audit Committee. While a Board member has always participated in exit interviews for financial audits, the creation of the committee has formalized and strengthened their financial oversight (see Exhibit 7.14: Internal Audit Charter and Exhibit 7.15: Audit Committee Charter). This committee has been active in the selection of external auditors and works directly with the auditors in review of the financial statements, assuring that Western addresses any management letter concerns. In the recent past, the Audit Committee has focused on improving internal controls and is setting a priority to address controls in the technology arena.

The Office of the Internal Auditor has been providing internal auditing services to Western since the early 1980s. The reporting responsibilities for the Internal Audit program changed on May 1, 2005, when the Board of Trustees adopted the Audit Committee Charter. The Audit Committee Charter established that the Office of the Internal Auditor would report functionally to the Audit Committee of the Board of Trustees and administratively to the President. The Office of the Internal Auditor’s Charter, which was approved by the Board of Trustees on October 6, 2006, provides the Internal Audit program with independence and authority to conduct audits, consulting, special investigations, advice, and training. The Office of the Internal

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**TABLE 4**

**SCHEDULE OF DEBT ISSUED**
Auditor’s website (www.wwu.edu/depts/internalaudit/) provides the campus with information about the program.

The Board of Trustees meets at least six times annually, and the results of the auxiliary and University audits are presented at the October and December meetings or, if necessary, at an additional meeting. All final audit reports from the Office of the Internal Auditor are provided to the Audit Committee of the Board of Trustees and to the President. In addition, the Office of the Internal Audit makes an annual report to the Audit Committee, and the chair reports to the Board of Trustees, summarizing the Internal Audit program and recent audit activity.

**A Strong Focus on Internal Controls**

Western continues to review the strategic mission of the University and to consider the financial organizational structure that will best support the attainment of our goals. For example, Western added the position of Internal Controls Officer in response to the growing size of the institution, with additional complexity of activities and programs conducted throughout the institution. While Western was not directly subject to the Sarbanes-Oxley legislation, the institution took the ramifications of this legislation seriously and, in consideration of the University’s growth, placed a priority on funding an Internal Controls Officer.

Western also restructured organization within Business and Financial Affairs to strengthen focus on cash management. With an increased number of departments handling cash, the state auditors identified a systemic weakness. This was followed by the discovery that the Cashier Supervisor had misappropriated University funds. With the assistance of the Internal Controls Officer, the University tightened oversight in these areas and has proposed that cash and investment functions be separated under a Treasury Director to ensure continued sound controls.

**Control of Resources**

As evidenced by audited financial statements, Western fully controls resources through planning, budgeting, accounting, and auditing procedures. The Office of the Internal Auditor is authorized to have access to all University information including computer files, records, property, and personnel of the University. A risk-based audit schedule is created each year, developed with input from the Audit Committee, President, Provost, Vice Presidents, and other University administrators. The preliminary audit schedule is discussed with the President, and the final audit schedule is approved by the Audit Committee of the Board of Trustees. Internal Audit activities are coordinated with the State Auditor’s Office and other external auditors to reduce duplication of efforts and increase audit coverage of the University.

The Board of Trustees has delegated responsibilities for cash management and investments to the President. Policies have been prepared and implemented to ensure the physical safety of funds, and to provide for
adequate return on funds. During 2004, the President approved a policy to invest University endowment funds in equities as well as fixed income instruments. An Endowment Investment Committee—which includes faculty, investors from the community, and administration—was created to oversee the investment of approximately $6 million of University endowment funds. The committee recommended selection of a primary investment advisor who is experienced with endowment investing. Two other investment firms were selected to invest smaller amounts, offering additional diversity. Prior to this time, all University endowments had been invested entirely in fixed income instruments, primarily certificates of deposit. (See Exhibit 7.16: Cash Management Policies and Procedures.)

**Accounting System**

The University utilizes SCTSungard Banner 7.0 as the accounting system of record. This system is structured in accordance with Generally Accepted Accounting Principles (GAAP) and guidelines recommended by the National Association of College and University Business Officers (NACUBO). The system was upgraded to respond to the issuance of Governmental Accounting Standards Board (GASB) Statements 34 and 35; GASB has the jurisdiction for establishing GAAP for public universities. Financial statements in compliance with GASB Statements 34 and 35 have been prepared since FY 2002.

The University also reports all transactions to the State Office of Financial Management, and this activity is reflected in monthly reporting of the state, and the State's Comprehensive Annual Financial Report (CAFR).

Western elected to have the annual financial statement audit performed by an independent firm rather than the State Auditor's Office beginning in the 2002 fiscal year. The University implemented GASB 34/35 in 2001, and the changes in reporting standards under this new GASB warranted the University to seek additional guidance statement preparation that the State Auditor was not able to provide.

The University Audit Committee issued an RFP for audit services and, after careful review of the firms submitting proposals, selected KPMG, LLP as the external auditor. Western selected Peterson Sullivan to complete the audits for the auxiliary organizations, and, in 2006, the Audit Committee selected KPMG LLP to complete all University financial statement audits. Western has now completed four annual financial statements with KPMG and has shown continued improvement in financial reporting.

The NCAA review, under the direction of the Vice President for Student Affairs, is not performed by KPMG. A review will be scheduled within the next few years.

The Athletics department submits data in a report to the Equity in Athletics Data Analysis (EADA) each fall and will be completing an NCAA Financial Review for the 2006-07 fiscal year (required every three years).

In addition to these internal and external controls, The Washington State
Auditor’s Office (SAO) performs an annual compliance audit of Western. The SAO’s approach is to gather financial data relating to payroll, revenues, and expenditures and to perform analytical tests in order to determine the level of risk relating to each of these areas. Generally, much of the focus is with the activity as it originates in the departments. The auditors are also given directives by the state office in Olympia as to what additional areas to focus on during the audit.

The State Auditors are also responsible to provide assurance for the University’s financial accuracy as it is reflected within the state’s Comprehensive Annual Financial Report (CAFR). The auditors’ final responsibility is to ensure that the University is spending funds in compliance with state, federal, and grant regulations. The University is included in the State’s Single Audit for all federal grants. (See exhibit 7.16: Audit Policies and Procedures, and Exhibit 7.17: Past Three Years Audit Schedules.)

Response to Audits

External Audits

The Board Audit Committee places a high priority on the internal control structure and the results of audits and internal investigations. The Assistant Vice President for Financial Services takes the lead in responding to these concerns and may also act as a liaison between the University and external auditors. She is also responsible for the coordination of Western’s response to recommendations in the management letters accompanying the annual audit reports of the independent public accountants and the State Auditors’ Office. She gives careful consideration to each recommendation, and Western’s response is communicated to the Office of Financial Management. The Assistant Vice President follows up on each recommendation to ensure that they are fully implemented or otherwise satisfied (see Exhibit 7.18).

Internal Audits

The Office of the Internal Auditor works closely with the President, Vice Presidents, directors, department heads, and other administrators when drafting and finalizing audit reports and in obtaining management’s responses for final audit reports. The Office of the Internal Auditor has established policies outlining the process and responsibilities associated with it (see Exhibit 7.19: Policies on Audit Reports).

The Office of the Internal Auditor meets with the President to discuss each draft audit report. In addition, the Internal Auditor meets with the Vice President(s), directors, and department heads over the areas being reviewed and actively discusses the issues and recommendations in the draft report as well as the administrator’s action plan for addressing the issues. Final draft audit reports are submitted to the Vice President(s) for the area(s) under review and they submit written responses to each recommendation in the draft report explaining their action plan(s) and estimated dates of completion. Internal Audit incorporates the Vice President’s written responses into the
main body of the report and issues a final audit report.

All final audit reports are provided to the Audit Committee of the Board of Trustees, President, Vice President(s) whose areas were reviewed, Attorney General’s Office, and State Auditor’s Office. Additional copies of the final report are provided to directors and department heads of the areas under review depending on the circumstances.

As noted in the Office of the Internal Auditor Charter, the Internal Auditor is organizationally independent of functions that are under review. The Audit Committee and President receive all final audit reports which provide appropriate oversight of University divisions’ responsiveness to audit recommendations. In addition, Internal Audit performs follow-up audits on previously issued reports to assess management’s level of completion. The follow-up audit reports are discussed and published according to the same process as the original audit. These processes comply with the Institute of Internal Auditor’s International Standards for the Professional Practice of Internal Auditing, and they provide a method for obtaining management action plans, as well as assessing the progress of such plans.

These reports have consistently been made available as a part of all examinations by the Northwest Commission on Colleges and Universities. (See Exhibit 7.20: Federal, State, external, and internal audit reports.)

\textbf{Western Washington University Advancement}

The Western Washington University Foundation entered into a formal agreement with the Board of Trustees in 1995 that states, in part, that “the Board of Trustees of Western Washington University and the Board of Directors of The Western Foundation pledge their mutual support and cooperation in furtherance of the respective purposes of the University and the Foundation... The Foundation, its Board of Directors, officers and members agree to design and implement continuous and special philanthropic support and benefactions to further the purpose of the Foundation for the benefit of the University and to use all assets and earnings of the Foundation exclusively for University purposes.” (See Exhibit 7.21: Agreement Between Western Washington University and the Western Foundation, July, 1995. \textit{Note: the name of the foundation has since changed from “Western Foundation” to “Western Washington University Foundation.”})

This agreement provides the underpinning for The Western Washington University Foundation's mission, which is fully aligned with the overall mission of Western: “The Foundation exists to generate and maximize private support for the benefit of Western Washington University; to ensure the proper use and expenditure of private gifts; to maximize the growth and return for long-term investments; and to build and expand linkages between the University and private sector.” Under the Vice President of Advancement, the Western Washington University Foundation works in conjunction with the President, Provost, Vice Presidents, Deans, Directors, and Department

\textbf{STANDARD 7.D}

\textbf{FUNDRAISING AND DEVELOPMENT}
Chairs to ensure that institutional priorities and strategic goals guide all fundraising activities. The Foundation also works with College Deans and the Director of Athletics to set annual fundraising priorities, driven by Western's Strategic Action Plan. Additionally, the Vice President for Advancement sits on the President’s Council and addresses priorities set by the University’s leadership team.

**Ethical Management of Foundation Funds**

As a dues-paying member of the Council for the Advancement and Support of Education (CASE), the Foundation adheres to the value statement of CASE, which states “CASE believes education improves lives and societies, and we value service to our members through professional excellence; respect for volunteers and staff as partners, stakeholders, and leaders; and commitment to integrity, ethical behavior, and inclusiveness.”

The Foundation is compliant with all Internal Revenue Service rules pertaining to 501 (c) (3) organizations. It receives an annual independent audit of its finances and complies with all Washington State regulations for filing with the Secretary of State and Insurance Commissioner. The Foundation also enters into signed agreements with all endowment donors, ensuring proper management of invested funds and disbursement of earnings pursuant to Foundation policies. Additionally, it enters into charitable trust and annuity agreements with donors and follows all pertinent Washington State laws and is subject to review by state agents.

Members of the Foundation Board of Directors keep confidential all information pertaining to Foundation financial records and donor and potential donor personal and financial circumstances. Staff members maintain the highest ethical standards and conduct their business with discretion; all professionals are provided a copy of the Council for the Advancement and Support of Education (CASE) Statement of Ethics when hired. Staff members are also given the opportunity for annual professional development to ensure that they remain current with all industry standards and practices. Fundraisers attend continuing education sessions with professional organizations.

Oversight of endowment and life income funds and their investments resides with the Foundation Board of Directors’ Finance and Audit Committee. The Foundation Board has adopted a comprehensive policy to govern the investment and spending of endowment funds.

The Foundation Finance and Audit Committee meets at least annually, and usually semi-annually, with representatives of investment managers, to ensure compliance with policies. During meetings with the life income investment manager, TIAA-CREF Trust Company, the investment plan for each Unitrust and for charitable trusts and annuities is reviewed to ensure its appropriateness based on beneficiary age and payout terms.

The Foundation organizes its funds to ensure each endowment and each life income fund can be separately tracked and monitored. The
annual independent audit reviews the activity in these funds for compliance with policy, donor stipulations, and regulatory requirements. Charitable gift annuities are regulated by the Insurance Commissioner in the state of Washington and require a further audit by a registered actuary. The Foundation is in full compliance with these regulatory requirements.

The majority of Academic Affairs offices maintain databases of all endowment and annual fund accounts managed by the Foundation and Office of Business and Financial Affairs. This includes bequests and growth funds. Expenditures are monitored to ensure compliance with legal agreements regarding each fund and are reconciled with the Banner financial system. (See Exhibit 7.22: Western Foundation Policies.)

The Western Washington University
Foundation: an Integral Factor in Western’s Development

Significant and noteworthy changes have occurred in the University Advancement Division (Foundation and Alumni Affairs) over the past ten years. The Executive Director of the Western Washington University Foundation was promoted to Vice President of University Advancement; she rejuvenated the Foundation Board of Directors, consolidated operations, and identified new talent for the organization. Under her guidance, additional staff have been hired and new technology has been implemented that, in turn, has produced significant funding for Western programs.

In 2005, Foundation staff were brought together into one office suite, uniting a work force that previously had been housed in six separate offices, and in 2006, this staff conducted an electronic screening of alumni, parents, and friends databases. The resulting information will be utilized to propel the Foundation into the next level of donor identification and engagement.

![FIGURE 12
WWU FOUNDATION ASSETS (IN THOUSANDS)](image-url)
Through the work of the Foundation Board of Directors Finance and Audit Committee, and their restructure of the Foundation’s investment policies, the assets of the Foundation continue to grow and have reached an all-time high of $41 million (see Figure 12).

The Western-in-Seattle Committee of the Foundation, which plans the annual Seattle Business Forum, transitioned that event from a public relations opportunity to a scholarship fundraiser. This annual event presents a noted business leader as keynote speaker and brings together corporate and civic leaders, alumni, and parents and friends who are interested in the University and business trends. The Seattle Business Forum provides a foundation for enhancing the educational mission of the University by building linkages with the private sector and by generating and maximizing private support. In three years, the Seattle Business Forum luncheon has raised more than $275,000 for direct student assistance. The Foundation also conducted a mini-scholarship campaign in 2005; the University identified a need, and the Foundation developed a plan to raise annual and endowed scholarship funds. The resulting $8.3 million far surpassed the original $5 million goal. Scholarship support from endowments and annual awards has grown from $600,000 in 1998-99 to more than $1.2 million in 2006-07. Figure 13 illustrates the success of the Foundation in raising funds to meet University priorities.

At the request of the Provost and the faculty, the Foundation also began a pilot project to support faculty working on projects with undergraduates. The initial $50,000 pool has successfully funded phases one and two, and the Foundation Board plans to identify and meet with potential donors to raise additional dollars for this area.

The Western at Home Committee, which began in 2005, works locally to identify potential Western supporters. Western at Home also sponsors the annual Bellingham Business Forum, plans VIP tours of campus and academic units, and in 2006, conducted a study regarding new faculty needs when joining the Bellingham community. As a result, Western designed and implemented a program for community members to welcome faculty to the area.

Western is also fortunate to have an active alumni group within Microsoft Corporation. As a result of these alumni donations, Western
receives matching gifts of software licenses from Microsoft every few years. These gifts result in a spike in the Foundation’s “Grants & Awards – in kind” support to the University. In FY 02, the value of the licenses provided to Western was nearly $3.5 million.

The use of funds provided through University Advancement is determined by donor stipulation, which may be specific or general.

### TABLE 5

**Support to the University from University Advancement (in thousands)**

<table>
<thead>
<tr>
<th></th>
<th>FY 02</th>
<th>FY 03</th>
<th>FY 04</th>
<th>FY 05</th>
<th>FY 06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants &amp; awards – in kind</td>
<td>$4,263</td>
<td>$291</td>
<td>$316</td>
<td>$1,762</td>
<td>$1,026</td>
</tr>
<tr>
<td>Grants &amp; scholarships</td>
<td>$1,586</td>
<td>$1,269</td>
<td>$1,462</td>
<td>$1,393</td>
<td>$1,821</td>
</tr>
<tr>
<td>Other Foundation support</td>
<td>$1,181</td>
<td>$1,501</td>
<td>$1,307</td>
<td>$1,362</td>
<td>$1,505</td>
</tr>
<tr>
<td>Alumni Assoc. support</td>
<td>$67</td>
<td>$62</td>
<td>$79</td>
<td>$61</td>
<td>$9</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$7,097</td>
<td>$3,123</td>
<td>$3,164</td>
<td>$4,578</td>
<td>$4,430</td>
</tr>
</tbody>
</table>

**Western Washington University Advancement and the Strategic Action Plan**

The University’s Strategic Action Plan sets forth the strategic objectives and actions that drive the planning and commitment of resources by Western Washington University Advancement, and Advancement has recently strengthened its processes and programs to more fully serve Western’s mission and strategic goals. In 2004, Advancement initiated significant collaborative planning processes across the campus to include the participation of the Deans and Athletic Director, as well as written strategies to engage potential donors for specific objectives. The Alumni Association and the Foundation (including annual fund, corporate, and major gift officers) work with College Deans to prepare annual plans around unique fundraising priorities. These annual plans steer the fundraising efforts and determine the different types of funds that will be pursued. (See Exhibit 7.23: Fundraising Plans for Colleges.)

**Examples of Results from Integrated Planning Efforts**

1. A key priority for the College of Fine and Performing Arts is its Community Outreach Program. This program provides opportunities for students to work collaboratively with the community in support of the college’s mission to provide world class and multicultural experiences in the arts for students and community members. Through the work of the Foundation, Western received a private gift of $50,000 for this important program.

2. The College of Business and Economics, in support of its own mission and the University’s, has made international scholarships for students a priority. The College believes it is critical for students...
to have educational experiences abroad in order to effectively work in the global economy. Accordingly, the Foundation has raised funds that resulted in four students studying abroad thus far and additional money is pledged to ensure these experiences continue.

3. The College of Sciences and Technology has identified the Wizards at Western program as one of its main priorities; this program connects faculty at Western with children and families in the community. A private donor contributed funds to sponsor the program last year, and for this year, Western submitted a proposal to a local corporation to continue the funding. Wizards at Western supports the College’s focus on outreach and community education in the critical areas of science, math, and technology.

4. The Dean of the College of Humanities and Social Sciences created the Dean’s Excellence Fund to support projects, such as faculty and student research and travel opportunities, that are critical for the College’s mission. The Foundation’s Phonathon made a special, second ask, of the College’s donors for this fund and members of the Dean’s Advocacy Council have made it a fundraising priority. Last year, over $20,000 was donated to this fund.

5. Expanding and moving select Western programs to Bellingham’s renovated waterfront is a University priority, dedicated to increasing Western’s presence in the community and enhancing facilities for quality education. The identification of this priority spurred the Vice President for Advancement to work with Foundation Board members and staff on strategies for raising private funds. The first key step in this process was a retreat in 2007, with a focus on the waterfront proposal. Next steps will follow in alignment with the Trustees’ decisions.

STANDARD SEVEN
SUMMARY & ANALYSIS

Significant Changes Since 1998

- In 2006, the core values of “Engaged Excellence” become a guiding force for all financial planning decisions. Budget request processes reflect the new Strategic Action Plan, and all divisions and units are encouraged to frame their requests in light of strategic goals.

- In response to the national concerns for financial oversight resulting in the passage of the Sarbanes-Oxley legislation, the Board of Trustees institutes an Audit Committee in 2002 and establishes direct reportage of the Office of Internal Audit in 2005.

- In 2002, New Governmental Accounting Standards (GASB 34/35) are successfully implemented; financial statements incorporate these substantive changes and become more effective documents.
• In 2004, Western creates an Internal Controls Office and appoints an Internal Controls Officer for stronger oversight. Cash management procedures are strengthened as a result.

• In 2003, Western implements an integrated and prioritized capital project list representing the collective needs of all four-year public institutions in the state. This list is now used for Executive and Legislative review of the capital budget request.

• In the last several years, Western increases its efforts to more actively manage actual enrollments closer to budgeted (state-funded) enrollments. The implementation of new General Education Requirements in fall 2005 for undergraduates temporarily affects graduation rates, and thus enrollments.

• In the last decade, Western students initiate several new fees to better serve campus, local, and global communities. These include a Renewable Energy Fee, which makes it possible for the campus to purchase 100% of the campus’ electricity from renewable energy sources, and Western receives national recognition for this effort.

• A student-initiated Technology Fee makes it possible to enhance Western’s classroom technology and to better equip computer labs.

• A student-initiated Recreation Fee provides funds for construction and ongoing maintenance of the new Wade King Student Recreation Center.

• SCT’s BANNER Student Accounts Receivable is implemented in September 1999, and an electronic billing and payments process for students to make tuition payments online is established in fall 2005. The University implements the acceptance of credit cards for student account payments online effective fall quarter, 2007.

• In January 2007, $2.6 million in Certificates of Participation are issued. These are being used for the development and purchase of the Lincoln Creek Transportation Center for off-campus commuter parking.

• Internet technology is implemented for departments to order from Central Stores through the use of third-party vendors. As a result of this change, it is no longer necessary for the University to maintain extensive, on-campus inventory.

• The University creates a centralized Ticketing Box Office to better serve the campus and community and to gain more centralized controls over these fiscal activities.

• In 2003, the University re-bids its exclusive contract for Dining Services and enters into a ten-year agreement with Sodexho.
• The University senior administration approves approximately sixty-five financial policies within the last three years. All policies are now available online and training has begun.

• In 2002, the Executive Director of the Western Washington University Foundation is promoted to Vice President of University Advancement. University Advancement rejuvenates the Foundation Board of Directors, consolidates operations and identifies new talent for the organization. Integrated fundraising plans are created in collaboration with Deans of all colleges, identifying priorities in line with Western’s Strategic Action Plan.

• From FY 1998 to FY 2007, grant activity at Western increases from approximately $8.2 million to $13 million.

• During 2004, the University begins investing part of its endowment funds in equities, as directed by a new University Endowment Investment Committee. (Foundation Endowments are managed by the Western Foundation Finance and Audit Committee.)

• From FY 1997 to FY 2006, the University endowment increases approximately 153%— from $10.5 million to $26.6 million, an increase of $16.1 million. Foundation Scholarships increase over the same period from approximately $400,000 to just over $1.2 million, approximately 200%.

• The purchase and implementation of SCT’s BANNER Advancement and Alumni Module is initiated in September 2007. Banner Advancement allows gift officers to more quickly and accurately track their prospects, manage moves, coordinate strategies, and facilitate visits in the office, on the road and through the Internet. Fundraising goals can be better tracked and fundraising progress can be tracked instantly.

**Strengths**

• Western’s stability of its funding base continued through conservative and prudent fiscal management of state capital appropriations, operating appropriations, and tuition fee revenue.

• Western’s organizational structure for finances gave clear guidelines and roles to its participants, with opportunities for oversight at every step of the process.

• Strong enrollment trends, stable demand, balanced operating performance, and manageable debt burden contributed to maintaining Western’s solid bond ratings from Moody’s (A2) and Standard & Poors (A+).

• Western’s published budget provides comprehensive, contextual, and easily accessible information for all users, making it not only
an effective management tool, but creating an historical record, documenting a quarter-century of Western’s financial progress.

- Strategic financial planning includes a wide range of the University’s constituencies, and Western has clearly defined strategic actions to guide progress toward our goals.

- Western and its Board of Trustees has been proactive in its enhancement of internal controls, ensuring sound practices at every level of the organization.

- Western responds appropriately and effectively to all audit findings. As evidenced by the recent audit reports, internal controls over cash handling have improved substantially in the last two years.

- Western manages its debt quite effectively and acquires long-term debt only for long-term assets.

- Western continues to subscribe to sound enrollment management practices that provide budgeted or state-funded enrollments more closely aligned with actual enrollments at the University.

- Pursuit of private and corporate funding through Foundation/College Partnerships continues to steadily increase and provides a major source of funding for University goals.

- Western continues to place emphasis on the academic mission and faculty/staff salaries as top budget priorities.

- Western’s student body is extraordinarily engaged in the financial health of the institution, providing new streams of funding that help Western perform in a socially responsible way.

- Western places an emphasis on sustainability in many facets of its operations.

- The University’s Financial Auditors, in this case, KPMG, LLP, continues to give the University unqualified opinions on its financial statements, confirming the University’s strong compliance with accounting standards.

**Challenges and Next Steps**

- Western will continue its emphasis on comprehensive budgeting based on the University’s new Strategic Action Plan.

- Western envisions a waterfront campus at the former site of Georgia-Pacific, and the University has initiated planning with the City and Port of Bellingham. Funds for initial planning efforts were appropriated by the legislature in 2006-07 ($400,000) and 2007-09 ($1 million for the biennium). Western may grow beyond 12,500 FTE as established by its new strategic plan, especially with the development of this new campus site. Western's move to the
waterfront will entail a significant campaign to raise the private resources needed for both capital and program requirements.

- Western needs to continue its emphasis on renovating and maintaining aging buildings, and the University needs to find funding streams to achieve reductions in an estimated $117 million in facilities maintenance backlog. Software has been developed to identify and prioritize the backlog, as well as document future cyclic renewal needs. (See also Standard Eight.)

- Western needs to continue its progress toward the goal of raising average faculty salaries for all ranks combined which are now at least 7.7% below peer averages.

- Western will continue to focus on improved financial access for at-risk and under-served students.

- Western will continue to improve program accountability, linking expenditures to results.

- Western will continue to improve financial reporting tools through improved data warehousing.

- Western is in the process of updating the Administrative Services Assessment for the equitable recovery of administrative operating or overhead expenses related to non-state funded programs.

- Housing & Dining is currently working with architects on the design of a new residence hall (likely 100 beds) to be opened by fall 2010.

- The Intercollegiate Athletics Department will complete an external accounting review of its 2006-07 fiscal year, per NCAA requirements to do so every three years.

- Western will review, and potentially re-bid, its exclusive Cold Beverage Contract effective fall 2008, when the current ten-year contract with Walton Beverage (Pepsi) ends.

- Western needs to continue increasing University fund balances through endowment growth. The Western Washington University Foundation will continue to focus on raising private support for the strategic goals of the University, and funding for diversity initiatives will continue to be a priority.

- Expansion of fundraising resources to provide one dedicated major gift officer per College will create stronger donor programs to focus on College priorities. While the positive aspects are clear, the added staff will require a transition to a new staffing model. Western will likely house several staff members in the Colleges, and will implement new approaches to orienting, training, supervising, and monitoring.
Progress on Recommendations from 1998 Accreditation Report

In the 1998 Accreditation Report, evaluators found Western's financial planning and management to be quite healthy and robust and, as can be seen from this self-study, Western continues to build upon its strengths in this arena. There were no major recommendations for Standard Seven, but the following are some suggestions from the evaluation:

“Due to perceived unevenness in departmental use of the financial system as a management tool, the committee suggests that the University continue its efforts to gain maximum effectiveness from the system for internal reporting.”

- The University has continued its efforts to strengthen internal reporting. Enhancements have been made with the addition of online finance query tools, development of new report recommendations presented at campus forums, the ability to download finance data, and training on financial reporting for the campus. The University will continue to respond to the campus need for internal reports.

“As the University enrollment grows, its financial requirements expand, and the demand for scholarship funding increases, the Foundation will play an even more necessary and important role.”

- As can be seen in Standard 7.D, several significant changes in the structure of University Advancement and the Western Washington Foundation have led to strong, positive outcomes. The mission of the Foundation is fully aligned with Western’s mission, and fundraising for each of the Colleges stems from strategic action objectives.

Appendices (located in Volume II of the Self-Study Report):

7.1: Required Tables:
- Explanatory Preface
- Completed Table #1, Current Funds Revenues
- Completed Table #2, Current Funds Expenditures and Mandatory Transfers
- Completed Table #3, Summary Report of Revenues and Expenditures
- Completed Table #4, Sources of Financial Aid
- Completed Table #5, Undergraduate Enrollment, Tuition, and Unfunded Financial Aid
- Completed Table #9, Operating Gifts and Endowments
- Completed Table #10, Capital Investments

7.2: A debt service schedule for the past three years and a projection for the next five years

7.3: An endowment and life income fund report for the past three years showing fund balances and income distributions for each year
7.4: Supplementary documentation of year-end accruals
7.5: A list and description of financial and management reports regularly provided to the governing board

Exhibits (located in Standard Eight Exhibit Binders and Cabinet, Committee Room)

7.1: Legislative Briefing Packet, 2007
7.2: Capital Budget Documents:
   - Washington State Public Baccalaureate Institutions Integrated and Prioritized Capital Project Lists
   - Board of Trustees action and supporting documentation for biennial requests and capital ten-year plans
   - Office of Financial Management Biennial Capital Budget Instructions
   - WWU Capital Budget Request e-form and related biennial instructions
   - Council of Presidents Fast Facts, January, 2006
7.3: “University of Washington Investing in Washington State’s Future”
7.4: RHAC Membership List and Meeting Minutes
7.5: WWU Calculation of Housing Demand
7.6: Fiscal Performance Summary on Planned Bond Issues—Housing and Dining
7.7: Comparative Information on Tuition and Fees:
   - 2006-07 Tuition and Fee Rates for Washington Universities Compared to National Averages based on HECB 2006-07 Tuition and Fee Report
   - 2006-07 Tuition and Fee Rates for Washington Universities Compared to Global Challenge States
7.8: U.S. Department of Energy Award to WWU
7.9: Moody’s A2 Bond Rating
7.10: Guidelines for University Use of Housing & Dining System Funds
7.11: “Financial Aid Facts”
7.12: Housing and Dining System Multiple Year Projected Growth Analysis
7.13: Debt Management Documents:
   - Three-Year History of Amounts Borrowed for Capital Outlay
   - Long-Term Liabilities Maturity at June 30, 2006
7.14: Internal Audit Charter
7.15: Audit Committee Charter
7.16: University Policies, including Cash Management Policies & Procedures, and Audit Policies & Procedures
7.17: Three Years of Audit Schedules
7.18: Two Years Responses to Audits
7.19: Policies on Audit Report
7.20: Federal/State/External Audit Reports
7.21: Agreement between WWU and the Western Washington University Foundation
7.22: Western Washington University Foundation Policies, including Policy on Endowments
7.23: Fundraising Plans for Individual Colleges
7.24: Copies of the financial section of the IPEDS report for the past three years
7.25: Summary of latest audited financial statement, a copy of the auditor’s management letter, and the latest complete audited financial report.
7.26: Default Rate for the two most recent years, as provided by the U.S. Dept. of Education. * For FY 2003, the default rate was 1.2%, and for FY 2004, 1.6% (FFEL/Direct Loan Cohort Default Rate)

*WWU Core Exhibits*

(located on Core Exhibit Shelves, Committee Room)

Engaged Excellence: Strategic Action Plan, 2006
Western Washington University, Board of Trustees, Rules of Operations
Western Washington University Catalog, 2007-08
Western Washington University, 2006-07 Operating Budget
Western Washington University, Capital Plan
Western Washington University, 2007-08 Fees and Rates Book
Western Washington University, Institutional Master Plan
Western Washington University, Faculty Handbook