

MINUTES  
Washington State University Board of Regents  
February 17, 2025

The Board of Regents of Washington State University (WSU or University) met pursuant to call in Open Meeting virtually.

**I. CALL TO ORDER**

Chair Lisa Keohokalole Schauer called the special meeting of the Board of Regents to order at 9:06 a.m.

**II. ROLL CALL**

Present were Chair Lisa Keohokalole Schauer, Brett Blankenship, Enrique Cerna, Judi McDonald, Doug Picha, Lura Powell, Jenette Ramos, Cassandra Vogel, Howard Wright, and President Schulz.

Regents Dickinson and Hunt were absent.

**III. PUBLIC COMMENT**

Regents heard from those who requested to provided public comment to the Board:

- WSU alumnus Nathan Linstedt, WSU leadership response to ethical concerns

**IV. UNIVERSITY BUDGET EDUCATION SERIES**

This meeting purpose was to continue in the budget education series to prepare regents for taking action on the FY25-26 operating budget in the spring. To open, President Kirk Schulz, Executive Vice President for Finance and Administration and Chief Financial Officer (CFO) Leslie Brunelli, and Provost and Executive Vice President Chris Riley-Tillman provided an overview of topics that would be discussed.

**A. Federal Funding Challenges**

Vice President for External Affairs and Government Relation Glynda Becker-Fenter, Vice President for Research Kim Christen, and Riley-Tillman discussed the impact of federal and state funding challenges and the impact on operating budget that these changes pose.

Recent Executive Orders and changes in indirect cost recovery rates will have a significant impact on WSU's research enterprise. As of February 14, 2025, WSU

had 1,149 active grants from 23 agencies that fully supported 1,130 employees and partially supported 882 employees across ten colleges and four campuses.

The National Institute of Health (NIH) announcement stating that the indirect cost rate policy change would cap indirect rates (IDC) at 15% will have a large impact on WSU. The current negotiated rate for WSU is 53% on campus and 26% off campus. This policy change is currently blocked by a temporary restraining order.

The impact of this proposed NIH IDC rate change would mean for WSU a reduction of \$413,000 monthly, or nearly \$5 million annually, impacting research progress significantly. If a 15% IDC cap rate was adopted by agencies federal-wide, the anticipated loss is projected to be \$23.5 million annually.

The two Executive Orders (EO) that will potentially impact research the most are Executive Order 14169 Reevaluating and Realigning United States Foreign Aid and Executive Order 14173 Ending Illegal Discrimination and Restoring Merit-Based Opportunity.

EO 14169 has resulted in the freezing of USAID and Department of State grants totaling over \$3.7 million. EO 14173 generated confusion and mixed responses from agencies regarding internal reviews and stop work orders. Currently, stopped awards total over \$6 million and impact 11 awards.

Additionally, the current continuing resolution that expires on March 14, 2025, and the budget reconciliation process that would impact state funding for Medicaid, and the state of Washington's budget deficit would all impact funds received by WSU.

#### B. FY26 Budget Development

Brunelli and Assistant Vice President for Budget and Planning Chris Jones discussed preparations to draft the FY25-26 operating budget. This will include budget hearings with 44 departments in April to early May. Templates will be provided that include the unit's current financial situation. Units are requested to provide the impact of a 1%, 3%, 5%, and 10% budget cut; projected core funds carry forward with the expected surtax; and explanations for recurring and non-recurring new fund requests.

On May 21, the Board will take action on the FY26 operating budget.

Brunelli reviewed WSU's FY25 \$1.3 billion budget comprised of state appropriations, tuition and fees, auxiliary enterprises, state grants and contracts, gifts, investment and endowment income, local grants and contracts, net restricted tuition and fees, sales and services of education departments, federal appropriation, and other revenue sources.

The university's core funds budget totaled \$671.3 million in the same fiscal year, and includes general state funds, proviso and other state funds, tuition, indirect cost recoveries, and administrative fees and interest. Since 2015-2017, proviso fund growth has exceeded general fund growth.

Possible scenarios were modeled that considered reduced state funding, the reduction in indirect cost recovery rate, a reduction in interest income, and expected budget requirements increases.

#### C. University Salaries/Wages and Benefits

Vice President and Chief Human Resource Officer Jennifer Klein shared WSU's compensation philosophy; provided an overview of WSU's four employee types – classified, administrative professionals, faculty, and other; and the process for setting employee salary when hiring and salary increases for each employee type.

Klein discussed state funding for compensation and benefit increased costs. Currently, the split for WSU compensation increases is 66% state appropriation and 34% tuition. Assumptions tied to this split are that the tuition rate will increase and that enrollment is stable. If either are lower, WSU must find other means to fund salary and other cost increases, typically through budget cuts. Nearly 80% of the operating budget is directed towards salaries/wages and benefits.

Klein and Jones provided an overview of the central benefits pool utilized by WSU to cover benefit related costs for positions supported by core funds. Positions not supported through non-core funds are the responsibility of the unit.

#### D. Working Capital

Senior Associate Vice President and Deputy Chief Financial Officer Matt Skinner provided an overview of the university's working capital.

WSU's historic cash on hand balance was reviewed for the period of 2016 to 2023. Currently, the working capital position is among the highest during this period. A carry forward tax is currently being discussed. This would bring a portion of unused dollars back to central to help in times of crisis and to allow the university to make strategic investments when opportunities arise.

E. Academic Optimization and Administration Program Review

Riley-Tillman goal shared that the goal of the academic optimization is to establish academic key performance indicators (KPIs) that will be utilized in the annual review of programs, departments, colleges, units, and campuses. The targeted completion date was spring 2025; however, this may be adjusted considering external factors. Concurrently, a faculty workload task force was launched to help develop a workload policy. Information from these two processes would provide information to guide annual reviews and enable making data-driven decisions about program investments and divestments.

Brunelli shared that the administrative review has begun and started with a review of the human resources department. An alignment of operations with the available budget has been implemented. Results from the final report completed by an outside evaluating entity will be provided at the March Board of Regents meeting. An information technology (IT) assessment of the Spokane campus has recently been completed, and a preliminary report has been shared. This assessment process will occur across the system.

Regarding finance and administration, a review of purchasing and contracts, operations of the controller and budget offices, and facilities will also be completed.

Reviews of other administrative units would be considered after the start of the new president.

F. Pullman Academic Unit

Riley-Tillman reviewed core fund carry forward balances by campus for fiscal years 2021 through 2025. Core fund expenditures against average annual credit hours was also shared; between fiscal years 2022 and 2024, expenditures have

increased while credit hours have declined. Riley-Tillman discussed the reasons and challenges associated with managing this. An overview of core fund balances by college was also shared along with the unique situations and challenges associated with each.

#### G. Spokane Campus Health Sciences

Brunelli shared that a regent ad hoc committee has recently been established to review the health sciences underwater finances and budget challenges of each college.

Executive Vice President and WSU Health Sciences Chancellor Daryll DeWald shared that Health Sciences is establishing KPIs for program assessments, which are being used to assess IT, student affairs, facilities and operations, business and finance, and the office the executive vice president. Future assessments will include research support, communications, marketing, and development departments. An academic program review will occur in the future, following the accreditation processes that will help generate some of the needed information.

#### H. System Campuses

Pullman and Global Chancellor David Cillay provided an overview of both campuses. The Pullman Chancellor's office has focused on strengthening partnerships with the marketing and communications, the provost's office, the foundation, and finance and administration to utilize these services rather than hiring dedicated personnel.

The Global campus has partnered with the provost and finance and administration office to create a pilot program for launching new programs. Additionally, work is being done to manage Global's non-core funds carry forward balance; an agreement is being developed to transfer fund back to central. Also, personnel has been reorganized to realize some cost savings.

Tri-Cities Chancellor Sandra Haynes shared that enrollment and credit hours have increased over the past three years. The academic program review that has been implemented during this time has resulted in more effective course scheduling for the student. Meaning that fewer classes have low enrollment, and there is less need for students to enroll in global or video conference classes to meet requirements. This has allowed for a more efficient reallocation of

funds. Additionally, several degree offerings will be discontinued; however, courses supporting these degrees will still be offered. Also, personnel reorganization is taking place when opportunities are presented.

Haynes shared that how the Tri-Cities manages its carry forward balance differs from colleges in that it needs to support an entire campus. This balance is used to support the benefits pool and facility maintenance and renovations when needed.

Vancouver Chancellor Mel Netzhammer and Everett Chancellor Paul Pitre were not able to participate in this meeting and therefore unable to provide campus overviews.

**V. ADJOURN**

The meeting was adjourned at 4:51 p.m.

Approved by the Board of Regents at its meeting held on March 7, 2025.

*Signed Copies Available in the Office of the System President*