
Budget Recalibration Presentation

April 24, 2017

Presented by: **Ruth Johnston and IPB Planning Team**



Budget Recalibration Team

Budget Recalibration Team Represented Units	
Steering Team	Core Team
Admin & Planning	Admin & Planning
Academic Affairs	Institutional Planning & Budget
Advancement & External Relations	Institutional Research
Council of Academic Deans	Facilities
Associated Students of the UW Bothell	Library & Information Technologies
Institutional Planning & Budget	Campus Council on Planning & Budget
Fiscal & Audit Services	School Administrator
Institutional Research	Advancement & External Relations
Enrollment Management	Associated Students of the UW Bothell
Office of Research	General Staff Organization
General Faculty Organization	
General Staff Organization	



Overall Budget Recalibration Goals and Principles

1. Achieve UW Bothell sustainable budget, and plan for a healthy financial future
2. Increase transparency of the budget process – where the dollars sit, how they are allocated, how they are accessed
3. Increase accountability of budget management (budgets, budget reviews, fully costed programs)
4. Incentivize right behavior (strong fiscal management, innovative, healthy organizations)
5. Assure shared governance
6. Able to support 2020+ strategic plan/goals
7. Make the model as simple as possible



Leading Up to Today

- Core and Steering Committee Meetings to learn about current methods and discuss ideas
- EAB presentation on Aligning the Budget Model to Strategic Goals
- Dave Maddox presentation on ABB model at UW
- Committee (CCPB) and Unit/Group Meetings (TLC, GSO, GFO)
- Faculty Metrics Work underway (parallel process)
- Staff benchmarking work underway (parallel process)
- Consultation with OPB, Treasury, Provost, others
- Chancellor's Executive Team (CET) meetings to review and agree to concepts
- Extended Cabinet met to discuss concepts and provide feedback
- Now to modeling with goal of phased implementation for FY 2018 and beyond



Mission Critical Operating Imperatives

Funding necessary for operations and contingent needs of the institution to address opportunities and challenges

- Campus Reserves
- Equity Contributions (for residence hall/dining)
- Facilities, Equipment, Asset Replacements, Refreshes
- Financial Aid
- Strategic Initiatives



Pro Forma Overview

...assumed, forecasted, or information presented in advance of the actual or formal information. The common objective of a pro forma document is to give a fair idea of the cash outlay...

www.businessdictionary.com



Pro Forma Overview - DRAFT

Fiscal Year	Actual	2017	2018
	2016		
Beginning Balances	17,285		
Campus Reserve	(7,500)		
Strategic Initiatives	(2,500)		
Equity Contribution	(4,000)	(2,000)	(2,000)
Facilities/Equipment, Asset Replacement/Refreshes	(1,000)		
Financial Aid Contingency	-		(2,000)
Prior Commitment	(799)		
Total Unrestricted Balance	1,486	(514)	(1,605)
REVENUE			
General Fund-State	15,563	20,620	20,620
Tuition	50,613	54,950	57,557
Other Revenue	4,674	1,920	2,534
Building Fee Revenue	1,000	1,000	1,520
Total Revenue	71,851	78,490	82,232
EXPENSES			
Total Compensation	51,832	55,615	58,871
Real Estate Leases	2,529	2,680	2,733
Operating Expenses	16,490	16,287	16,859
Building Renewal and Space Updates	1,000	1,000	1,030
Strategic Initiatives & Contingencies	-	-	1,000
Total Expenses	71,851	75,581	80,493
NET OPERATING REVENUE	(0)	2,909	1,738
Ending Balance	1,486	2,395	133

Current Budget Overview



Incremental Budget Model Definition

Incremental budgeting is a cost-based approach based on historical costs. Incremental amounts are added for items such as inflation, program improvements, hiring, & capital investments, etc.

Pros:

- Relatively quick and easy to prepare
- Relatively easy to understand
- Simple to track budget variances

Cons:

- Budget proposals and allocations based on prior year budget
- Does not provide sufficient transparency
- Assumes all current activities and costs are still needed
- Allows for potential inefficiencies, inertia and slack



FY 2017 Budget Distribution

FUNDING SOURCES	BUDGET	
	FY 2017	% of Total
TUITION	49,758,858	
STATE APPROPRIATION & OTHER	21,323,302	
TOTAL FUNDING	71,082,160	
NON-INSTRUCTIONAL UNITS		
FIXED COSTS	9,654,306	13.6%
NON-INSTRUCTIONAL UNITS	25,354,867	35.7%
ACADEMIC AFFAIRS	14,413,199	20.3%
ADMINISTRATION	8,765,993	12.3%
ADVANCEMENT	2,175,675	3.1%
TOTAL	35,009,173	49.3%
INSTRUCTIONAL UNITS		
SCHOOL OF BUSINESS	7,012,857	9.9%
SCHOOL OF EDUCATIONAL STUDIES	2,737,381	3.9%
FIRST YEAR PRE-MAJOR PROGRAM	1,525,959	2.1%
NURSING & HEALTH STUDIES	3,507,688	4.9%
INTERDISCIPLINARY ARTS & SCIENCES	9,723,513	13.7%
SCHOOL OF STEM	11,565,589	16.3%
TOTAL	36,072,987	50.7%



Outcomes from Modeling Conversations



Chancellor's Executive Team & Core Team Feedback

1. Pursue Modified RCM budget model
 - a) Support Transparency, Autonomy & Accountability
 - b) Encourage Dean level innovativeness
 - c) Minimize RCM adoption pain points
 - d) Understand Pros & Cons of Operationalizing RCM
 - e) Modified approach:
 - Modified RCM formula for Instructional Units
 - Modified Incremental budgeting for Non-Instructional units and Fixed costs
2. Funding of Mission Critical Operating Imperatives is a priority
 - a) Both permanent and temporary funds
 - b) Funding accessible to entire institution where possible for strategic investment
3. Create transparent decision making process
4. Create list of Institutional Services (fiscal, facilities, advising, IT, Libraries, student services, etc.)
5. Phase in the model over three years



RCM Definition

Responsibility Center Management (RCM) is perhaps closer to a management philosophy than a budgeting strategy. It is designed to support the achievement of academic priorities within an institution, and allows for a budget which closely follows those priorities. Requires units to manage their own budgets.

Pros

- Allows individual units to be innovative, and catalyzes deans to pursue new revenue sources
- Transparency about true costs of the unit

Cons

- RCM can promote competition between deans (creating classes offered by other units, reducing interdisciplinary opportunities for faculty and students)



Current Modified RCM Model

Based on the feedback and commitment from CET, we will be using a Modified RCM model adapted to best fit the priorities and institutional needs. Regular review and adjustments to the model will occur regularly.

- Key structure of current model
 - Consider tuition funding separately from state appropriations
 - Tuition driven by enrollment or tuition increases
 - State appropriations either fixed, or earmarked for particular purposes
 - Define Institutional Allocations
 - Fixed Costs = Overhead
 - Non-Instructional Units = Services
 - Prioritize contributions to “Bucket” Funding when needed
 - Set Baseline funding on budgeted FY 2017
 - Apply Modified RCM formula to incremental tuition revenue



Modified RCM View - FY 2017 base (draft)

MODIFIED RCM	FY 2017					
	TOTAL		TUITION		STATE & OTHER	
FUNDING SOURCES	71,082,160		49,758,858		21,323,302	
NON-INSTRUCTIONAL UNITS						
FIXED COSTS	9,654,306	14%	3,774,085	8%	5,880,221	28%
SERVICES	25,354,867	36%	9,911,786	20%	15,443,081	72%
ACADEMIC AFFAIRS	14,413,199	20%	5,634,443	11%	8,778,756	41%
ADMINISTRATION	8,765,993	12%	3,426,823	7%	5,339,170	25%
ADVANCEMENT	2,175,675	3%	850,520	2%	1,325,155	6%
NON-INSTRUCTIONAL TOTAL	35,009,173	49%	13,685,871	28%	21,323,302	100%
INSTRUCTIONAL UNITS						
INSTRUCTIONAL UNIT TOTAL	36,072,987	51%	36,072,987	72%	-	
TOTAL COSTS	71,082,160		49,758,858	100%	21,323,302	100%



Modified RCM – Fixed Costs & Services

	PERCENTAGES	
FIXED COSTS & SERVICES	TUITION	
FIXED COSTS	3,774,085	8%
SERVICES	9,911,786	20%
ACADEMIC AFFAIRS	5,634,443	11%
ADMINISTRATION	3,426,823	7%
ADVANCEMENT	850,520	2%
TOTAL	13,685,871	28%

Fixed Costs or Overhead:

- Utilities, Property Rentals and UW Overhead

Services include those offered in:

- Academic Affairs: Academic & Student Affairs, IT, Library, SSC, DEM etc.
- Administration: Admin & Planning & Chancellor Office
- Advancement: Advancement, Alumni, Government Relations, Marketing and Communications



Modified RCM – Distribution Breakdown

BASE-LINE FUNDING SHARE	PERCENTAGES
	TUITION
NON-INSTRUCTIONAL UNITS	
FIXED COSTS	8%
SERVICES	20%
ACADEMIC AFFAIRS	11%
ADMINISTRATION	7%
ADVANCEMENT	2%
TOTAL	28%
INSTRUCTIONAL UNITS	
TOTAL	72%
TOTAL COSTS	100%

Note: Some costs, especially Fixed Costs are volatile and may dictate distribution rate changes as a result. Based on current estimates, FY18 distribution would be 30% to cover increases.



Discussion Questions

1. What are the Pros and Cons (or Incentives and Disincentives) of our current budget structure?
2. What would you like to see changed/emphasized in a new structure?
3. What would a transparent budget process look like to you?
4. What will you/your unit need to be the most effective and efficient, and provide the best quality service to those you serve?
5. General comments/questions.



Next Steps

- Core and Steering continue to meet through June
 - Cabinet final review for phase 1 implementation on June 15, 3 – 4:30
 - CET continue to review updates to model, with final approval before June 20
 - Begin meeting with Deans and Administrators to review specifics of the budget model
 - Begin Phase 1 implementation on July 1
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- Simultaneously, to finalize the actual budget model, keep working on:
 - Faculty metrics
 - Staff benchmarking
 - Enrollment actuals for FY 18
 - Agree to institutional level services and how to measure effectiveness
 - Allocation methodology for Fee based programs, Summer Quarter, RCR, Carryover policy, etc.





Stay Informed

Town Hall and other budget presentations are available here:

<http://www.uwb.edu/admin/planning-budget/budget>

Feedback welcomed:

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