

Budget Recalibration Core Team Agenda

April 10, 2017

2:00 PM – 3:30 PM

UW1 361

Time	Topic
2:00 PM	Welcome & Updates <ul style="list-style-type: none">– Steering Feedback– EAB Interviews
2:10 PM	RCM Lite Model Overview
2:25 PM	Incremental Budget Model Overview
2:35 PM	Revisiting Current Budget Model <ul style="list-style-type: none">– Review Mandatory Costs
2:40 PM	Modelling Scenarios
3:10 PM	Discussion
3:25 PM	Messaging for Today



Work to Date & Coming Events

❖ CET making progress on budget parameters

Coming:

- > CET, April 11th
- > Extended Cabinet, April 17th
- > Town Hall, April 18th
- > Core, April 24th



Suggested Ground Rules

- ❖ Begin and end on time
- ❖ Work for the good of all of UW Bothell
- ❖ No sacred cows, be open to new ideas and ways of doing things
- ❖ Share the floor and allow for all voices
- ❖ Be honest and respectful
- ❖ Listen
- ❖ Support the work in/outside meetings
- ❖ Ask for clarity when needed
- ❖ Come prepared and having completed any agreed to work
- ❖ Be positive; change is hard!
- ❖ Be results/solutions focused
- ❖ Free yourself from distraction (e.g. phone, email)
- ❖ If you miss all/some of meetings, be responsible to find out what you missed
- ❖ Agree to messages to communicate out at end of meetings



Town Hall Feedback: Decision Criteria on Funding Allocations

- Student focus, including financial aid
- Aligned with Mission and values (identity) aligned
- Use the strategic plan, be strategic
 - Transformational learning
 - Access to excellence
 - Learning and working environment
 - Collective success and happiness
 - Equity
- Required vs. good
- Supports current faculty and staff
- Invest in what we have already (like equipment, infrastructure, mandatory costs, and review for appropriateness/cost); honor commitments
- Equity lens (e.g. parking for students lower than staff/faculty)
- Must consider fiscal reality and political climate
- Provides measurable benefit
- Is it necessary?
- Can it be delayed?
- What is the impact?
- How many people/jobs does it affect?
- Are there other revenue streams that could be used?
- Would partial funding help?
- Could this be seed money?
- Make wise investments that could reduce costs later
- What are priority criteria for Steering Committee? (choose 5 – 8)

Steering Feedback: Decision Criteria on Funding Allocations

- ❖ Student focus (is financial aid a part of this?)*
- ❖ Required – means?*
- ❖ Mission and vision: 1st step to a strategic plan that's actionable*
- ❖ Need to review what we're doing and make decisions for go-forward*
- ❖ Measurable impact/accountability clear*
- ❖ Faculty: where they the same or different from students
- ❖ No more underfunded programs; need fully-baked with a plan (is it good for Bothell; currently no review process)
- ❖ Research or teaching institution or both
- ❖ Invest in what's working now
- ❖ Don't chase shiny objects
- ❖ Make wise investments now for later strategically
- ❖ Consider timing, equity



Mission Critical Operating Imperatives:

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

- Campus Reserves
- Strategic Initiatives
- Equity Contributions
- Facilities/Equipment, Asset Replacements/Refreshes
- Financial Aid



RCM Lite Overview



Classic 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

- Forces individual units to be entrepreneurial, and induces deans to pursue new revenue sources.

Cons

- RCM promotes competition which could cause deans to resort to inefficient measures to prevent students from enrolling in courses in other schools. It can lead to all [kinds] of perverse incentives.



“RCM Lite”

- “RCM” Concepts Supported:
 - Encourage Entrepreneurial activity to earn revenue growth
 - Create more School level autonomy
 - Create more School level accountability
 - Transparency in budgeting
 - Support multi-year planning
- “Lite” Concepts Created:
 - Minimize RCM adoption pain points
 - Institutional support for common activities
 - Direct funding for institutional operating imperatives



Incremental Budget Model 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.”

Pro's

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

Con's

- 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



Incremental Budget Model – Uses

- Potential Uses
 - Distribution of funds for fixed costs
 - E.g. Utilities, Rentals, UW overhead
 - Distribution of funds for existing service levels with know cost escalators
 - E.g. Fiscal, Facilities, Budget, IT, etc.
 - Institutional level funding imperatives
 - E.g. Equity, Institutional strategic initiatives etc.

- Best Application - Mandatory Costs



Current Budget Model Overview



Current FY 2017 Budget

CURRENT		
	BUDGET	
FUNDING SOURCES	FY 2017	
TUITION	49,758,858	
STATE APPROPRIATION	20,619,654	
TOTAL	70,378,512	
INSTITUTIONAL ALLOCATIONS		
CENTRAL		
FIXED COSTS	10,097,367	
NON-ACADEMIC UNITS		
ACADEMIC AFFAIRS	17,316,603	
ADMIN & PLANNING	7,496,180	
ADVANCEMENT	2,175,675	
CHANCELLOR'S OFFICE	1,164,813	
TOTAL	38,250,638	54%
ACADEMIC UNITS		
SCHOOL OF BUSINESS	6,415,891	
SCHOOL OF EDUCATIONAL STUDIES	2,443,303	
FIRST YEAR PRE-MAJOR PROGRAM	1,866,349	
NURSING & HEALTH STUDIES	3,230,308	
INTERDISCIPLINARY ARTS & SCIENCES	8,534,798	
SCHOOL OF STEM	10,497,412	
TOTAL	32,988,061	47%



Mandatory Costs Revisited

CENTRAL	
FIXED COSTS	10,097,367
NON-ACADEMIC UNITS	
ACADEMIC AFFAIRS	17,316,603
ACADEMIC AFFAIRS NON-SCHOOLS	7,098,932
LIBRARY	2,662,791
INFORMATION TECHNOLOGY	3,490,077
ENROLLMENT MGMT/STUDENT AFFAIRS	4,064,803
ADMIN & PLANNING	7,496,180
ADVANCEMENT	2,175,675
CHANCELLOR'S OFFICE	1,164,813
TOTAL	38,250,638

- For this conversation....
 - Mandatory Costs are all Non-Academic Unit Operating budget Activities
 - Mandatory Costs are not subject to RCM modeling
 - All yearly incremental costs (Merit, cost of goods/services increases, etc.) allocated with incremental budget model
 - Assumes all services remain



Modelling Scenarios



FIRST STEP – Modeling Method (year 1)

METHOD 1 (FY17)*

1. Total Funding Sources: \$70m
2. Remove Mandatory Costs: \$38m
3. Remove “Bucket” Funding: \$0m
4. RCM allocation pool: \$32m

METHOD 2 (FY17)*

1. Tuition Funding: \$50m
2. Apply RCM Overhead: \$18m
3. RCM allocations: \$32m
4. Combine Overhead:
& State Appropriations: \$20m
5. Mandatory Costs funding: \$38m
6. Remaining “Bucket” Funding: \$0m

*Based on original Fiscal Year 17 budget prior to any operational changes developed through budget recalibration work to-date or anticipated true-up from updated enrollment projections.



FIRST STEP – Modeling Method (year 2)

METHOD 1 (FY18)

- | | |
|-----------------------------|-------|
| 1. Total Funding Sources: | \$78m |
| 2. Remove Mandatory Costs: | \$39m |
| 3. Remove “Bucket” Funding: | \$4m |
| 4. RCM allocation pool: | \$35m |

METHOD 2 (FY18)

- | | |
|---|-------|
| 1. Tuition Funding: | \$58m |
| 2. Apply RCM Overhead: | \$20m |
| 3. RCM allocations: | \$38m |
| 4. Combine Overhead:
& State Appropriations: | \$20m |
| 5. Mandatory Costs funding: | \$39m |
| 6. Remaining “Bucket” Funding: | \$1m |



SECOND STEP – Incremental Funds

- RCM

Revenue generating units receive all incremental revenue less applied predetermined overhead rate

- Impacts

- Revenue producing units have most incentive to grow and most autonomy
- Creates highly competitive environment
- Institutional level support units have limited access to incremental funds

- RCM “lite”

Leverage incremental funds to support Institutional priorities and operating units

- Impacts

- Prioritizes Institutional needs
- Minimizes swings in operational budget funding based
- Limits revenue producing unit incentives and autonomy

- AT WHAT LEVEL & HOW SHOULD “LITE” BE APPLIED??



Discussion





Core Next Steps





Messaging for Today

