
Budget Recalibration Update

Cabinet 6.15.17



What we've done



JANUARY through JUNE

- 109 total meetings
- 23 Core/Steering members
- Groups providing feedback in addition to CORE and Steering: CET, CCPB, GFO, GSO, ASUWB, CAD
- 1320 total hours or about 33 weeks!
- LEARNED ABOUT: HOW WE DO THINGS NOW, ABB, RCM, Peer Approaches, Summer Quarter, PCE, RCR
- Moving forward on July 1 with implementation of a modified RCM model, to be phased in over three years with lots of support provided



OVERVIEW: What Did We Do?

- Budget review and refresher
- Current budget model review
- Review Mandatory and Fixed costs
- Learning about alternative budget models (definitions, Pro's Con's, etc.)
- Review funding sources and restrictions
- Review Proforma, Budget Assumptions
- Identify and discuss other funding sources (SQ, Fee-Based, RCR)
- Strategic Initiatives at UW Bothell, introduce Operating Imperatives
- EAB presentation on High Education budget models and benchmarking
- Presentation on ABB at UW Seattle with David Maddox
- "Bothell Way" Discussion
- Modified RCM overview and comparison to incremental
- Modified RCM Modeling Scenario review by UW central and others
- RCM house rules discussion
- Carryover and funding for "Buckets"



What we know



Why and How

1. We are in this together for the future success of UW Bothell
2. We have financial constraints that we will live with that require different behaviors
3. We will be phasing in this approach over the next three years
4. We will develop processes to support this direction
5. We will tweak it as we go to ensure our financial health
6. We will continue to be inclusive, collaborative, flexible, open to change and supportive of each other
7. We will develop ways to incentivize interdisciplinarity and other preferred outcomes (“house rules”)
8. We will coordinate efforts with faculty metrics goals (Delaware Study, etc)
9. We will develop balanced school/unit budgets and monitor them regularly
10. We will agree to a common data set/definitions
11. Support will be provided



Modified RCM Principles – to be fleshed out

- Phase in beginning July 1 for three years (year 1: develop processes, training, culture; year 2: operationalize; year 3: evaluate and tweak)
- FY 2017 budget applies as funding base for now, will rebase as appropriate
- Use modified RCM allocation methodology
 - Separate State Appropriation funding from Tuition funding
 - Incremental tuition: % to schools, % to units (*i.e.* 70/30, 60/40)
- Prioritize and fund mandatory costs and prior commitments
 - Pay mandatory costs first (Seattle overhead, leases, utilities)
 - Pay Merit and Benefit rate changes (FY18 for all)
 - Pay other commitments including for Faculty hiring commitments (direct distribution for FY18 only)
- Fund Institutional “Buckets”
 - 10% Reserve & Operating Contingency, Asset Refresh, Investment Funds, Equity
- Implement Institutional Carryover policy
 - Preferred components based on feedback:
 - > Apply a fixed % (for clarity and planning purposes)



Benefits

- Transparency
- Local level accountability and decision making
- Improved operational management at local level, new processes
- Requires advance planning/budgeting with full costing for how best to operate and create new programs/activities
- More strategic
- Have real budgets (revenue and expenditures put into spending categories) with reviews
- Live within means
- With prior/current model, we rise and sink collectively; new model adds autonomy and accountability
- Structure/organization complexity varies from school to school and unit to unit, making it difficult for some to manage most effectively under current budget model
- Benefit to faculty and staff who ask “why” to funding allocations, decisions made, etc.
- Decisions can be made at the local level regarding staffing, structure, dollars, strategies, etc.
- Informed through shared governance model at the School level
- Less day to day control by VCs



Modified RCM

- Determine Incremental Funding for allocation pool

FUNDING FOR ALLOCATION

SOURCE: INCREMENTAL TUITION	2,607,206
SOURCE: STATE SALARY ADJ FUNDING	611,000
TOTAL	3,218,206

- Determine Mandatory Funding distributions

MANDATORY FUNDING ALLOCATIONS

BENEFIT RATE ADJUSTMENTS	115,000
CENTRAL SALARY ADJ CONTRIBUTION	611,000
RCM IMPLEMENTATION POSITIONS	200,000
TOTAL	(926,000)



Modified RCM

- Incremental Funding Distribution Rates:

INCREMENTAL FUNDING DISTRIBUTIONS

TOTAL FUNDING FOR ALLOCATION	3,218,206
LESS MANDATORY ALLOCATIONS	(926,000)
DISTRIBUTION POOL	2,292,206

ALLOCATION SHARE	30/70	35/65	40/60
Non-schools	687,662	802,272	916,882
Schools	1,604,544	1,489,934	1,375,323
TOTAL	2,292,206	2,292,206	2,292,206

5% Change in Rate: 114,610

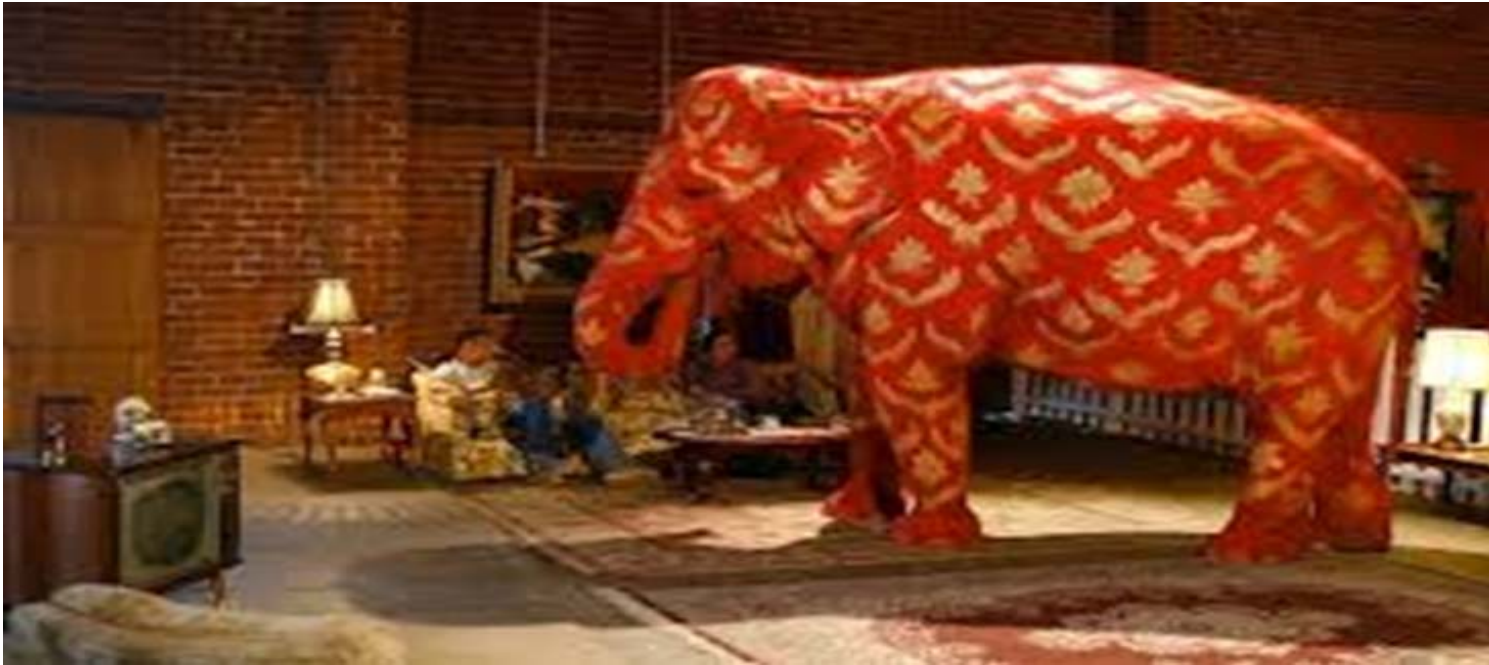


Unit Incremental Budgeting

- RCM Distribution Methodology determines Allocation pool
 - Funding distributed via application of Overhead on Incremental tuition funding
- Incremental Budget model to remain
 - Institution funds Salary Adjustments, Benefit rate changes & fixed cost escalations distributed first
 - Remaining funding available for allocation
 - New Allocation determined through a Budget Request Process



There's an elephant in the room



We call him Carryover



Carryover at UW Bothell

- Carryover is unexpended balances at the end of the biennium
- Historically
 - > Carryover balances are returned to the Division that generated the balances
 - > Very little carryover has been held at the institutional level
 - > Carryover at the unit/school level has been used for a variety of purposes
 - > Carryover balances at UW Bothell have been growing



Carryover Policy Principles

- Source of Temporary funding at Institution level
 - Funds institutional priorities or “Buckets”
 - Replenishes exhausted funds from prior Biennium for “Buckets”
- Fixed % tax preferred by Core/Steering
 - 25% institutional retention of non-school carryover (BI 17-19)
 - Some exclusions may apply (equipment, collections and Faculty Startups)
 - Would likely contribute up to \$1M of funding for biennium 17-19
 - % to be evaluated and only changed with advance notice for planning purposes
- Separate policy for Schools
 - x% to support RCM launch due to risk taken (BI 17-19)



Sources of “Bucket” Funds

- True-Up Funding
 - From enrollment exceeding projections in FY 17
 - Generates Temporary and Permanent funding
- Summer Quarter Overhead (no change in process)
 - Institution fixed overhead amount
- Biennial Carryover
 - Central budgets
 - Non-schools
 - Schools



Uses of “Bucket” funds

- Campus Reserves
 - 10% operating budget reserve
- Asset Replacement/Refreshes
 - Investment in campus infrastructure
- Investment Funds
 - Goals:
 - > Operational buffer
 - > Relief for budget constraints
 - > Flexible to support missions of Institution and alignment with “house rules”
 - > New ideas/initiatives (UWBIG)



Phase in - in FY18

- Establish Implementation and Oversight (process/policy) Teams
- Hire temporary 3-year support positions for phase in
 - Fiscal support position
 - Organizational Development support position
- Work closely with Deans/Unit Heads and Fiscal Staff
- Create budgets and budget review processes
 - Budget training for all budget owners
 - Clarify ownership and responsibility levels
 - Understanding of budget tools, resources and data
 - Implement regular budget reviews
- Set “house rules” – work of Oversight Teams, CAD, etc.
- Set RCM metrics, Data sources and related tools
- Implement plan for achieving faculty metrics (process, funding)
- Establish Governance structure



Discussion



Modified RCM – Discussion Focused on Making This Work, We’re in This Together

- House Rules
 - What is purpose?
 - What are they?
 - Incentives for collaboration, interdisciplinarity, etc.?
 - Oversight/governance process and incentive to maintain?
- What is needed to build trust and feedback loops into the process?
 - Development phase
 - Implementation phase
 - Evaluation processes
- What work processes might be affected or need review sooner than later?
 - Urgent processes
 - Processes to address through phase 1 implementation (FY18)
 - Processes to address through next 2 to 3 years



Thank you!

**All materials can be found on
the IPB site:**

**[https://www.uwb.edu/administration-
planning/planning-budget/budget](https://www.uwb.edu/administration-planning/planning-budget/budget)**

