



UNIVERSITY *of* WASHINGTON | BOTHELL

OFFICE OF ADMINISTRATION & PLANNING

Review of Budget Recalibration Phase One and

Operating Budget for FY 2018

Effective July 1, 2017

Prepared annually by: Institutional Planning and Budget

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

Executive Overview

The purpose of this report is to share the FY 2018 Operating Budget and executive summary of the Budget Recalibration Initiative (Phase 1) work undertaken January – June 2017.

The Chancellor charged the Institutional Planning & Budget Office to collaborate with the campus community to recalibrate UW Bothell's institutional budget. Two groups were formed, the Core Team and Steering Committee, to work on the initiative and recommend a budget model that is sustainable, transparent and addresses the emergent and long term needs of the campus. The Core and Steering teams examined current practices, budget models used by higher education institutions, and learned from and were advised by experts who do this work across the U.S.. After in depth analysis of UW Bothell institutional budgets, the teams determined that the current incremental based budget model is no longer the best model for the coming years. In addition to the efforts within the Core and Steering teams, the Budget Recalibration work included presentations and dialogues with groups across campus. This report contains the input, suggestions and recommendations of a broad cross section of the campus community.

The Budget Recalibration groups endorsed a modified Responsibility Center Management (RCM) budget model, with a three year phase-in to existing operations. The central function of the modified RCM model is to move decisions and resulting revenues and expenses to Schools (the “responsibility centers”), and to units, in order to create transparency in the budget process and manage with more local accountability.

This report highlights key points of phase one (Planning) and next steps of phase two (initial Implementation), which begins July 2017 and continues through FY2018.

Vision

- Each School will have control of revenue generation
- Each School and Unit will be responsible for managing its costs
- The University will maintain an Investment Fund to support transition to the modified RCM model, promote the University's mission and reward excellence, and fund agreed to expenses

Goals

- Provide decision-makers with increased transparency into the University's finances and foster an information-rich discourse on School priorities and budget matters
- Create appropriate incentives that advance the University's Strategic Plan
- Understand and address the differences in the cost of education in each School and as they contribute collectively to the achieving campus-wide mission
- Align responsibility and authority over fiscal matters
- Build capacity and skills to manage this work

Principles

- Transparency and integrity (encompasses communication, clear and agreed-to definitions and metrics, commonly understood processes, timeliness, accuracy and completeness)
- Responsibility commensurate with authority
- Flexible, scalable, translatable (works in units of different size)
- Enables forecasting and strategic planning

Budget Recalibration

Participation

To launch the Budget Recalibration Initiative, Chancellor Wolf Yeigh sent a charge letter asking IPB “to create a broad and inclusive process to review and recalibrate our budget process and practices, culminating in a budget model based on a sustainable business plan that is transparent, has clear processes, and can address emergent strategic priorities and ongoing commitments.”

Leading this effort, the Core and Steering teams were comprised of members from across the campus, including representation from the following:

- The Chancellor’s Executive Team, the Council of Academic Deans, the General Faculty Organization, the General Staff Organization, ASUWB, School Administrators; and
- Operational units, including Institutional Planning and Budget, Advancement & External Relations, Academic Affairs, Enrollment Management, Institutional Research, Fiscal & Audit Services, Facilities Services, the Office of Research, and Library & Information Technology.

The recalibration work regularly included status reports as well as gathering feedback and support from the campus community through the following leadership groups/public meetings: the Chancellor’s Cabinet, the Chancellor’s Executive Team, the Chancellor’s Leadership Council, the Chancellor’s Town hall, the Council of Academic Deans, the Campus Council for Planning & Budgeting, and Vice Chancellor-led groups. Information about the teams and all meeting materials are available on IPB’s website: <http://www.uwb.edu/administration-planning/planning-budget/budget>.

Review and Learning Process Summary

The Budget Recalibration teams conducted extensive review of the Institutional budget structure, evaluation of alternative budget structures and benchmarking around higher education budget models.

As part of this review and evaluation process, the two groups approached the initiative through the following discussions and analysis:

- Current budget model review, including funding source restrictions and available resources
- Review of key mandatory and fixed cost considerations
- Review of alternative budget models and comparison of budget model adoption outcomes in higher education

This comprehensive review and learning stage, and the frequency of team discussions and feedback sessions with the campus community helped to heighten awareness and understanding of the campus’s budgetary needs and structural considerations that informed the final recommendation.

Recommendation

Through this iterative approach, the Modified RCM budget model was recommended for adoption. Both teams concluded that a modified approach to utilizing RCM principles best supports the unique budget landscape of the University of Washington Bothell and will help drive long-term sustainability through transparent and intentional practices. Through successful implementation, the Vision, Goals and Principles of modified RCM will create the foundation for a successful long-term budget model.

As part of the new budget model, funding is needed for mission critical operating Imperatives. These are funds designated for specific purposes in an effort to ensure financial flexibility and sustainability moving forward. The operating imperatives include campus reserves, facility and equipment asset replacement and refreshes, investment funds, and long-term considerations for equity contributions to fund capital growth and a financial aid contingency.

To support the adoption of modified RCM, the Vision, Goals and Principals outlined above need to at the center of the implementation phase and will be reviewed and adjusted regularly. Phase 2 will include two new groups to begin this work in July 2017. One group will focus on implementation planning and goals, and the other will develop campus processes and policies to support the new budget model.

Operating Budget

WA State Operating Budget Highlights

As the June 23, 2017, the Washington state legislature has not yet passed an operating budget or a capital budget for the upcoming biennium – which begins on July 1, 2017. The University of Washington is closely monitoring legislative work. If the legislature does not pass a budget by June 30, the University of Washington will continue operations as normal. Updates will be provided as further information becomes available. In the meantime, UW Bothell will assume the same funding level in FY 2017.

FY 2018 Proposed Operating Budget Highlights

- *Enrollment Projections of 5,230 state-based student FTEs, representing an increase of 200 FTEs compared to FY17 actual*
- *FY 18 Operating Budget Revenue projection is \$80,438,000. This represents an increase of \$8 million compared to FY17 Operating Budget spending authority. An additional \$1,520,000 of funding of projected Building fee revenue creates a total Operating budget of \$81,958,000.*
- *A Carryover policy will apply to FY 2017 state budget carryover balances. Of the remaining balances at the School/Unit level, 20% of carryover dollars will be retained at the institution level with 80% remaining with Schools/Units. Certain committed carryover balances (equipment replacement funds, STEM startup packages) are excluded. The policy provides approximately \$1,200,000 for Institutional purposes with \$4,800,000 for divisions.*
- *Institutional Reserves increased to \$7,500,000 from \$4,000,000 in FY17*

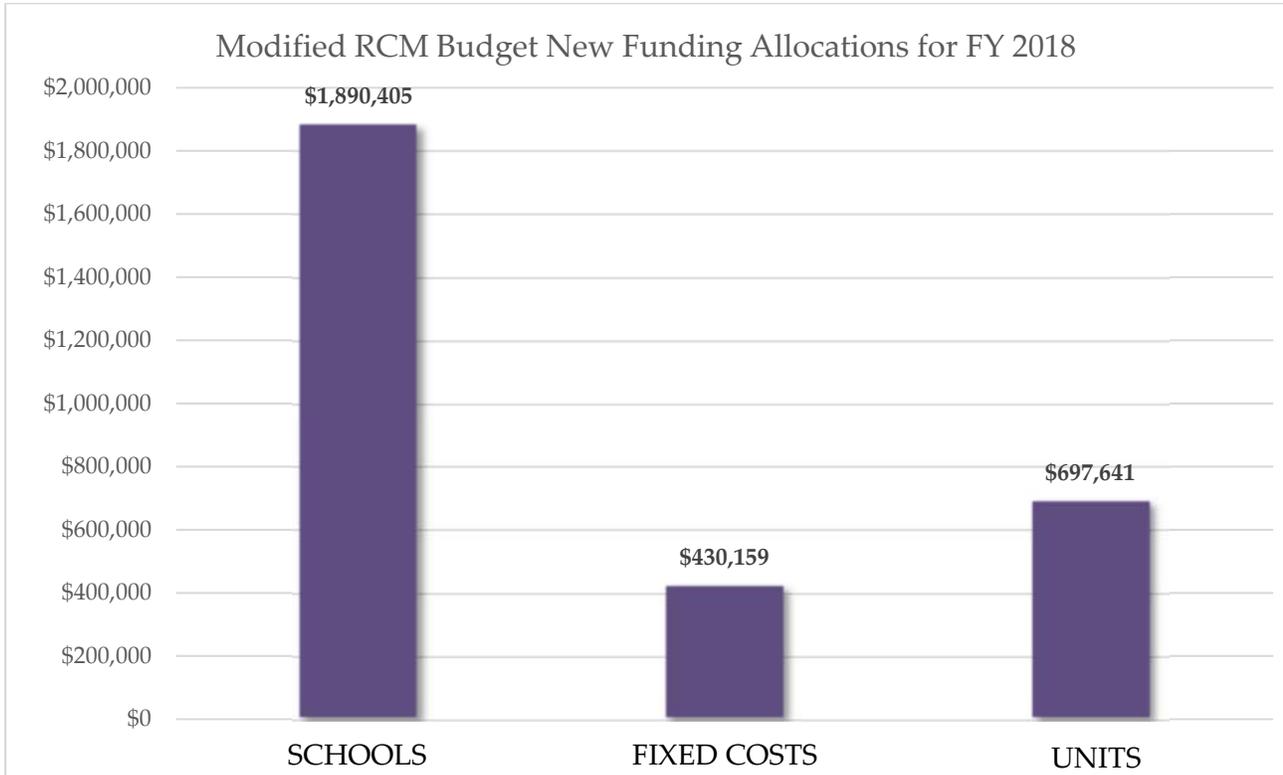
- *Funding is set aside for mission critical operating imperatives at the institution level determined through the budget recalibration efforts. In addition to Institutional reserves being increased, there will be additional funds for facility and asset replacement or refreshes (\$1,000,000) and Institutional Investment funding (\$3,250,000).*
- *FY18 Operating Budget faculty expenses include 6.5 FTE of new full-time lecturer positions and projected salary increases including promotions*

NEW LECTURER POSITIONS BY SCHOOL	
BUSINESS	1
EDUCATIONAL STUDIES	1
IAS	3
STEM	1.5
TOTAL	6.5

- *The state budget is anticipated to include a 2% increase in tuition rates, which is projected to increase the FY18 Operating budget by approximately \$1.1 million*
- *The operating budget includes adjustments for benefit rate changes and merit increase. Merit is assumed to be 2% with partial state resources to support the budget impacts associated.*

TABLES:

Fiscal Year 2018 Funding Allocation Summary:



Operating Budget Proforma:

UW Bothell Master Campus Proforma
Base Case Proforma

FISCAL YEAR	ACTUAL 2017	PROJECTED 2018
REVENUE		
General Fund-State	20,620	20,620
Tuition	54,679	57,284
Other Revenue	1,920	2,534
Building Fee Revenue	1,000	1,520
Total Revenue	78,218	81,958
EXPENSES		
Total Compensation	55,615	58,871
Real Estate Leases	2,680	2,733
Operating Expenses	16,287	16,859
Building Renewal and Space Updates	1,000	1,030
Strategic Initiatives & Contingencies	-	1,000
Total Expenses	75,581	80,493
NET OPERATING REVENUE	2,637	1,465
INSTITUTIONAL EARMARKS*	(2,637)	(1,465)

*Operating budget balances contribute to Mission Critical Operating Imperatives in addition to institutional revenues from other operations and existing reserves.

Budget Recalibration Next Steps

PHASE TWO: IMPLEMENTATION

The implementation phase starts in July and will continue through FY 2018. To support the implementation, the university is charging two teams: an Implementation Team and a Process Development/Policy Team.

The Implementation Team will be co-led by the Senior Director of Institutional Planning & Budget and the Director of Institutional Research, with the team composed of School and Unit Administrators and other campus stakeholders. The primary purpose of the Implementation Team is to support the implementation of the new budget model by creating School/unit budgets and reports, developing data definitions and aligning metrics, forecasting future budgets, skill development and understanding financial and operational issues that apply at the local and institutional level.

The Process Development/Policy (PDP) Team will be co-led by the Vice Chancellor of Administration & Planning and an Academic Dean (yet to be named), with the team composed of Deans, VCs, Unit Heads and other campus stakeholders. The primary purpose of the PDP team is to address policy issues and oversee processes and make recommendations to the Implementation Team.

The teams will conduct a phased roll-out of the budget model over three years, to continue to ensure that the model is feasible and that all units—academic and administrative—will be prepared and successful to operate under a Modified RCM. Accordingly, implementation goals are determined and outlined as follows:

- Full year dedicated to the design and development of the model, relevant processes, School and Unit budgets and review processes, governance structure and policies. This allows for emerging data and process issues to be addressed and the model adjusted as needed.
- Establish collaboration values
- Provide training and expertise and build skills, both generally and specifically internal to Schools/Units
- Establish metrics that support institutional priorities and appropriate uses and affinity of metrics
- Align with Delaware Study work/targets
- Begin multi-year planning and budgeting in Schools and in Units
- Increase familiarity with RCM within Schools/Units and across the institution

Moving forward with regular evaluation and adjustment, Phase 3 (FY 2019) and Phase 4 (FY 2020) will lead to refinement and solidified structure of an enhanced RCM approach. This is an iterative body of work intended to assure sustainable UW Bothell fiscal health in support of the mission. This work will support the coming Strategic Plan to be created in FY 19 and adopted and rolled out in FY 20.