UNIVERSITY *of* WASHINGTON

May 12, 2017

Gerald J. Baldasty

Provost and Executive Vice President

Professor, Department of Communication

Dear Jerry:

In January 2017, you charged our Activity Based Budgeting (ABB) Oversight Committee with four primary tasks and asked that we respond to you by June 1, 2017. The tasks included the following:

- **Duplicative Courses and Degrees:** Document current processes associated with approval of new courses and programs, as well as the review of existing courses and programs. Document all committees or organizational entities involved in the processes. Note points in the processes where potentially duplicative courses or degrees can be identified for faculty review, identify the basis on which potential duplication can be identified, and identify correct faculty committee to take responsibility for review. Propose supplemental policy language to prompt a review of the financial implications of duplicative efforts and to help determine whether and when financial implications should affect approval.
- **Summer Quarter:** Produce a list of summer courses that fall outside traditional summer quarter (operated through Continuum College) and determine which schools and colleges have such courses. Calculate the revenue that these courses generated in prior summer terms. Propose options for the distribution of revenue from summer courses not operated by Continuum College.
- **Supplement Distribution:** Review original approach to defining and distributing the supplement. Document original approach as well as the modifications that have affected supplement growth or contraction. Propose principles for annual review of supplement and principles for redistribution.
- **Review of Calculation Changes:** Review what data is available to fine-tune the calculations through which tuition revenue is distributed, and make recommendations to the committee as a whole regarding possible calculation changes.

Having completed several months of discussion, analysis, collaboration and consideration, we propose the following changes and interventions for each of the tasks summarized above.

Potentially Duplicative Courses and Degrees

POLICY AND PRACTICE REGARDING POTENTIALLY DUPLICATIVE COURSES AND DEGREES

The formulaic portion of the model distributes tuition revenue to the Deans of the Seattle academic units in direct proportion to generation of student credit hours, degree majors (for undergraduates), and major enrollments (for graduate or professional students). For each year, the dollar value of a credit, degree major, or major enrollment in each tuition category in a given year can be calculated simply by dividing the net tuition collected by the total number of credits, degree majors, or major enrollments generated on the Seattle campus in that tuition category. The formulaic allocation is blind to other factors that are important to students and to the university, such as how much students learn; the quality, timeliness, breadth, and depth of course curricula; and the actual cost of generating the credits/degrees.

Public higher education has experienced a prolonged period of considerable fiscal austerity, with state and tuition budgets together growing more slowly than before and with per-student funding remaining relatively flat. University administrators—from the Provost to Department Chairs and Directors—have been challenged to stretch budgets to cover rising expenses.

It should come as no surprise, then, that Deans, and, in turn, Chairs and Directors have interest in increasing the number of credits, degree majors, and major enrollments they generate. A clear benefit to students has been enhanced effort on the part of the institution to take steps to meet student demand for existing coursework, potentially improving time-to-degree metrics[1].

This financial incentive appears also to be leading to the creation and proposed creation of a rising tide of new courses and degrees. This is most evident in a few colleges and schools that historically played a very limited role in undergraduate education, but now in which undergraduate student credit hours or degrees are increasing rapidly (e.g. Public Health, iSchool, Education). Some established undergraduate programs have explored developing homegrown versions of existing courses (e.g., writing for engineers, soils for landscape architects) historically delivered elsewhere (e.g., Arts & Sciences (A&S)) to meet their established curricular needs or new courses that are broadly appealing and more likely to attract students from a range of majors. While we have evidence that course proliferation is occurring, our understanding as to if and when this growth is driven by curriculum demand, strategic program considerations, fiscal concerns, or some combination of these three is still evolving.

Opinion is mixed on the long-term impact of some of these new courses and degrees on students and the institution. At a minimum, it seems clear that those faculty members with a deep understanding and extensive experience with relevant academic material should be leading courses in a given subject area. Put another way, a working knowledge of calculus is probably not sufficient to qualify one to teach calculus at a research university.

Moreover, there are strategic and financial reasons that university administration might have in mind as they restrain the proliferation of some kinds of courses and degrees. An example of a strategic consideration is that disciplinary reputational rankings are often impacted by the perceived scale of contribution at our institution. If our activities are spread thin, the scale of contribution can be more difficult for outsiders to perceive. This logic was offered as one reason to establish the UW College of the Environment. A financial consideration is that it is sometimes most efficient to provide the infrastructure for certain kinds of coursework in a single or limited number of locations—for example the expensive staffing, equipment, and laboratory spaces associated with many STEM courses—or to ensure effective deployment of existing tenured faculty who have relevant expertise, appropriate qualifications and available teaching capacity.

Our existing processes for consideration of proposed new courses and degrees involve consideration first by the Faculty Council on Academic Standards (FCAS), and then (for new degrees) by the President and Board of Regents. This process is intended to allow careful consideration of academic aspects: the appropriateness of course and degree curricula and the qualifications of the proposed instructors. As presently configured, FCAS is not suitably structured to judge the *strategic and financial ramifications* of proposed new courses and degrees.

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[1] Although median time-to-degree has remained stable, there has been a decrease in mean time-to-degree.

These strategic and financial considerations often place schools and colleges in competition with one another. Therefore, the decisions are clearly and ultimately the responsibility of the Provost, who is both Chief Academic and Financial Officer of the institution. Two key questions need to be answered: (1) how best to identify proposals to establish new courses and degrees that require careful assessment for strategic or financial reasons, and (2) how the faculty can provide the Provost with unbiased advice on such proposals, given that ABB can give rise to a financial conflict of interest for faculty members whose home unit might benefit or be damaged by the proposal.

RECOMMENDATIONS

This committee believes that proposals to establish new courses or degrees that are controversial for strategic or financial reasons are presently being identified—by FCAS, by one or more Deans, by Department Chairs, or by individual faculty members. The problem is that the concerned parties do not know where to turn to resolve potential or clear conflicts of interest, other than FCAS. Members of FCAS feel ill prepared to judge strategic and financial considerations, and are concerned that such considerations are arising relatively late in the degree development process. What we need is a venue to which anyone who has such concerns can submit a case for consideration at any stage, especially early in the development phase, to ensure that faculty do not waste resources developing courses or degrees that will ultimately not meet strategic or financial criteria.

The ABB committee considered two options: (1) whether to supplement the membership of FCAS with one or more additional members who could provide guidance on financial and strategic considerations, and (2) whether to task SCPB with such responsibility and increase its membership and knowledge base accordingly. We chose the latter for two reasons. First, and most importantly, service on FCAS already provides a high workload for its members, even in the absence of controversial proposals, and the efficient and effective execution of this service is critical to the day-to-day operations of the university. Second FCAS is already a large committee that, if expanded, could become insufficiently nimble to do its expanded work, nor is its membership familiar with broader strategic planning and budget issues faced by the university.

We therefore propose the SCPB, or a subcommittee of the SCPB, as the appropriate forum to which controversial course or degree proposals could be submitted for review at any stage in the approval process, from conception to following approval by FCAS, but prior to final approval by the President. We feel the SCPB would execute such a review role effectively for a variety of reasons.

First, SCPB members should be familiar with strategic planning and budget issues faced by the university and are already responsible for providing advice and consultation to the Provost on institutional level strategic and fiscal issues. The SCPB membership includes the Provost and a representative of the Board of Deans and Chancellors, thus is already equipped to capture an administrative perspective in its deliberations. SCPB members bring considerable institutional memory, as they are appointed for three year, renewable and staggered terms. The size of the SCPB, however, may need to be increased in order to allow SCPB members from a unit that is either proposing or challenging a contested new course or degree to recuse themselves from SCPB review. We also recommend that SCPB membership be increased to include ex-officio representation (with a vote) from FCAS to facilitate communication and coordination across the two bodies, which would now be tasked with different, yet related facets of course and degree approval. The FCAS representative would serve on any sub-committee of SCPB tasked with new course and degree review responsibility.

Second, we recommend the creation of an implementation working group by the Faculty Senate leadership. This working group would be charged with establishing the policies and procedures concerning when a case would be directed to the SCPB, and the criteria by which such cases would be evaluated by the SCPB or its relevant sub-committee. If the criteria can be made clear to all, it is possible that the frequency with which unacceptable applications are submitted will decline. We recommend that this working group be established as soon as possible, and that they file their recommendations by September 1, 2017, to facilitate implementation of new course and degree review policies and procedures during the 2017-2018 academic year.

In consultation with current and past FCAS leadership and the SCPB, we have identified the following characteristics for any proposed policies and procedures to incorporate.

- The process should accommodate and encourage early notification of intent to develop a new undergraduate degree by the proposing academic unit (e.g., departments and programs) that is limited in scope (e.g., PNOI type of notification).
- Academic units should receive notification of new course/degree proposals as early as possible in the process (e.g., course/degree proposals might be listed on a webpage, assuring there is a clearinghouse of new course/degree proposals that can be monitored easily; creation and leverage of a listserv of chairs of all UW curriculum committees).
- In respectful consideration of the significant resources that are typically invested in the development of proposed courses or degrees, the process should provide strong incentives for potentially negatively impacted academic units to monitor new course/degree proposal development and notification proactively, to avoid last minute protests. That said, SCPB needs to render judgements that are in the best interest of the institution, regardless of the timing of a protest.
- The process must assure that sufficient information on new course/degree proposals is made publicly available in a timely way to facilitate the ability of academic units to actively monitor the emergence of new course/degree proposals as early in the process as possible.
- A mechanism must be provided by which units that are potentially impacted by a proposed new course or degree might articulate their concerns in a timely and substantive manner.
- A mechanism must be provided for proposing units to respond to any substantive concerns that have been raised.
- Some procedural flexibility needs to be accommodated such that there is final recourse for SCPB to review by impacted bodies should the initial, limited proposal have evolved in sufficiently new directions as it works its way through the process. SCPB should have authority to open or re-open any case at any time.
- The process provides two avenues to SCPB review:
    - Proposals for new degrees would be referred through the initial intent notification process, comment and response phase of the process by request of either the proposing academic or impacted unit(s).
    - FCAS referral of new degree proposals or duplicate courses for concerns about financial or strategic considerations
    - Courses or degrees denied by FCAS on academic grounds may not be referred to SCPB for subsequent review.
- If a new course/degree proposal surmounts the hurdle presented by SCPB review, then it would proceed through the remainder of the course and degree approval process as established.

We look forward to reviewing the work of the implementation working group in August.

Summer Quarter

BACKGROUND

The UW implemented the ABB model in FY12. It provided for 70 percent of tuition to be returned to units for the three primary teaching quarters of the academic year (fall, winter and spring). It was assumed that summer tuition was primarily handled through Continuum College (formerly Educational Outreach) and that faculty who taught summer quarter were funded via Continuum College (C2) budgets. Accordingly, there was no need to include summer tuition in the ABB model, as the related costs of summer salary were funded via the C2 model.

Subsequently, both Schools of Medicine (SOM) and Dentistry (SOD) raised the issue of summer tuition for their professional programs, noting the MD and DDS programs are both 12-month programs with 12-month faculty appointments, and that their summer activity is not managed by C2.

During FY16, the Office of Planning & Budgeting (OPB) led a 5-year review of ABB model and made several recommendations to update the ABB model. The issue of summer tuition was raised and it was recommended that it be reviewed during FY17 to fully analyze the issue and develop a recommendation on how to handle summer tuition moving forward.

ANALYSIS AND IMPACT

The Office of Planning & Budgeting (OPB) worked with the C2 office to clarify what summer tuition does and does not flow through the C2 program. Based on C2 input, it was determined all summer tuition flows through the C2 summer program except for courses offered by SOM, SOD, the School of Pharmacy, the School of Public Health, and the Graduate school (with the exception that a few courses from the five schools *are* handled by C2).

OPB identified all tuition revenue from courses *not* managed by C2 for FY12 to FY16 to allow the workgroup to evaluate the scope of the summer tuition outside of C2 and currently excluded from the ABB model. Three tables that summarize what the distribution of 70 percent of net operating fee revenue from such courses would look like are attached as Appendix 1; they display:

1. Tuition by School
2. Tuition by Category
3. Tuition by Category by School

In reviewing the data, the group made the following observations:

- Over the five-year period, overall summer tuition increased $2.5 million, which is significant.
- The majority of the change was confined to SOD and SOM professional programs, which accounted for $2.3 million of the change.
- The remaining $0.2 million was spread amongst the other 15 tuition categories.

What is the impact of excluding Summer Tuition from ABB model?

The rationale for excluding summer distributions in the early years of ABB was due to its inclusion in the distribution of the supplement, which was set in FY12 at a level to make the base year funding equal to historical allocations. This rationale was adequate when summer tuition was static and/or a small amount of revenue. However, it has become clear that increasing enrollments and curricular changes programs in the 12-month professional programs in SOM and SOD have contributed to a situation where costs of summer instruction are increasing substantially with no commensurate movement of revenue to cover those increasing costs.

For which tuition categories and schools would the inclusion of summer revenue substantially affect available revenue?

We believe that there would be no material effect of including summer tuition for most tuition categories in the ABB model. We should note, if the tuition was included, the distribution amongst schools and colleges would vary by tuition category and which schools participate in each tuition category. In reviewing the first chart of Appendix 1, it is clear that the only schools with summer coursework outside of the C2 model are SOM, SOD, Pharmacy, Public Health, and the Graduate School, *with only the SOM and SOD having a significant change in summer revenue of more than $50k since 2012*.

In Appendix 1, Table II shows changes in summer revenue by tuition category. If the $66,000 increase in undergraduate revenue was added to the FY16 ABB tuition pool of $273 million, it would increase the pool by .02 percent. The College of Arts & Sciences would get 65 percent of the increased tuition, or roughly a $44,000 increase with the balance to other schools at immaterial levels. The rest of the graduate tuition categories have immaterial changes, after accounting for tuition moving between categories.

What is the impact of excluding the FY12 to FY16 Increase in summer tuition for SOM and SOD?

The increase in summer tuition from FY12 to FY16 was $1.1 million or 8 percent of the SOM ABB tuition base and $1.2 million or 20 percent of the SOD base. Both schools advocate for prior years' distributions based on the material size and impact of excluding the increase in summer tuition over these years.

RECOMMENDATION

Based on review of the summer tuition information, and a review of the materiality of summer tuition generation, the following conclusions and recommendations were identified:

1. No financial harm was caused by excluding summer distributions in the original base year of ABB.
2. Summer tuition for the majority of summer activity should continue to run through C2 and courses other than those defined by the parameters noted above (five schools, with a few curricula in those schools managed by C2) should not be moved or created outside of C2. Only the current group of courses that exist outside C2 should continue to exist outside C2 for summer tuition.
3. Tuition from students enrolled in the 12-month professional programs in SOM and SOD should be distributed. For simplicity, distribution should be based solely on student credit hours.
4. Summer tuition should be allocated to SOM and SOD separately from academic year tuition, as summer tuition is collected into a Designated Operating Fund (DOF) budget. Separation is necessary to ensure alignment with policy and the definition of local funds at the University.
5. In FY17 and prior to this year, this revenue was distributed to academic and administrative units in DOF budgets. We recommended that the Provost avoid cutting other units' permanent budgets to redistribute summer revenue from prior years.
6. Beginning in FY18, we recommend that summer tuition revenue projections be moved into units' permanent DOF budgets after the 30 percent tax is applied. This change would entail a simultaneous decrease of units' supplements of an amount equal to FY17 summer revenue. In this way, incremental summer revenue generated beginning in FY18 can be directed to the units that bear the cost of that instruction.
7. The committee was divided on how to treat the $2.3 million of incremental increase in summer tuition from FY12 to FY16 (as well as any FY17 impact) excluded from ABB due to concerns of the potential impact on other programs or units. Providing the incremental tuition would be consistent with ABB principles, and had the flow of summer tuition of these two programs been clear in 2012, it likely would have been included in ABB. However, at this time, the committee is unable to evaluate the budgetary

considerations within the overall DOF budget to determine the impacts of making a retrospective allocation. The committee discussed an option that would entail annual evaluations by the Provost and staff over the next two years to assess the University's ability to provide the retrospective allocation within overall budgetary constraints. The committee acknowledged that making these units whole would likely require a two to three year phase-in.

8. OPB should annually review summer tuition to determine whether dramatic changes (increases or decreases) in summer revenue generated by other schools/colleges with summer courses run outside of C2.

Supplement Distribution

BACKGROUND AND CURRENT DISTRIBUTION

In October 2009, the Working Group on Activity Based Budgeting (ABB) responded to Provost Phyllis Wise's charge that they consider, "…issues that need to be addressed in reframing our budget model to one that more transparently aligns revenue generation with the activities associated with the revenue." The working group report stated:

> "To both respect historic commitments and assure maintenance of essential services, it is crucial that any new budget model be at least revenue neutral to all units. This is not to say that the budgets of units … will not change prospectively. Rather, again at the onset, the new budget for a unit must be equivalent to the current General Operating Fund (GOF) and Designated Operating Fund (DOF) budget of the unit. Peer institutions that have transitioned to ABB models have reached similar conclusions."

This "hold harmless" provision was implemented at the transition to ABB at the Seattle campus in FY12 by calculating for each "activity based unit" their total GOF and DOF budget, and subtracting from this the "total base ABB budget," the latter being predominantly the formulaically derived tuition and ICR allocation. This difference became known as the "supplement", the supplemental allocations in this first year of ABB (FY12). Said another way, supplement funds were distributed to units as *the difference between the GOF/DOF base and calculated tuition and ICR revenue*.

Illustration of Supplement

> *In FY12 the College of Built Environments (CBE) had a total GOF and DOF budget of $8,663,754. The formulas then in place afforded to CBE $7,337,741 of tuition and $111,008 of ICR funds; the formulaic "total base ABB budget" was thus the sum of these two numbers, or $7,448,749. CBE thus needed a supplemental allocation of $1,215,005 ($8,663,754-$7,337,741) in FY12 to be "held harmless". The original CBE supplement was thus $1,215,005.*

The original calculation for the supplements ranged from a high of nearly $40 million (SOM) to a low of *negative* $9.0 million (A&S; negative as a consequence of the formulaic tuition and ICR funds in FY12 exceeding the sum of the GOF and DOF budgets for A&S). Other than for A&S, the supplements ranged from 12 percent (Foster School) to over 66 percent (Dentistry) of the units' total centrally provided budget.

Supplement funds provide support for (presumably non-instructional) activities that do not generate tuition revenue (e.g. research, service), and for tuition-generating instructional programs that generate insufficient tuition revenue to cover instructional costs. It follows logically that a unit's need for supplement funds could change, rising or falling, as the costs change due to any of inflation or evolution of the scope or scale of their programs. Changes that are not appropriately compensated by the formulaic component of ABB should trigger consideration of a change in supplement level.

Changes in unit supplements have been clearly articulated in ABB tables at the beginning of every fiscal year budget cycle. They include specific PRF investments, state provisos, and other state funds, including those intended for compensation and to backfill funding to the UW for legislated tuition levels.

The total of $125 million in supplements in the first year of ABB (FY12), which constituted about 25 percent of the total centrally provided allocation to the Seattle academic units, has grown to $219 million in FY17, about 33 percent of the total allocation.

Despite the very simple calculation that generates supplement values, it has been described as the primary means by which schools and colleges cross-subsidized each other, as well as the primary means by which state support was directly appropriate for unique and specific programs managed by schools and colleges. These descriptions are justified, but the supplement, at its most basic level, is the result *of multiple decades of both Provost-level budgetary decisions and state funding of specific programs. Overall, the supplement reflects historical strategic funding decisions, but also has a certain level of malleability, especially in terms of historical Provost decisions.*

ORIGINAL PRINCIPLES ASSOCIATED WITH SUPPLEMENT FUNDING

The original report to Provost Wise referenced above clearly anticipated the need for evolution of the supplement allocation:

> "As with other universities that have adopted an activity based approach it will be crucial that we develop an annual reporting process in which Deans, Vice Provosts, and Vice Presidents meet with the Provost to review the financial, academic, and administrative metrics of the unit. These annual meetings can also be the base for determining any Provost decision in the allocation of supplemental (non-formulaic) budget funds."

Subsequently, when ABB was fully implemented, the decision summaries produced for each revenue stream emphasized the need to attend to the allocation of supplement funds. Also critical to highlight is the decision statement concerning cross-subsidies and its relationship to subsidies and the supplement:

> Going forward, the Provost will make decisions on maintaining, increasing, or decreasing subsidies based on a continuing evaluation of the University's mission and the reasonableness of demands on units (and their students) that self-generate the largest percent of funds under ABB as currently defined to cover their costs, (ABB – Decision Summaries, page 9).

NATURE OF THE ABB SUPPLEMENT

The formulaic portion of each unit's ABB budget provides 35 percent of the indirect cost recovery funds generated by the unit and 70 percent of net tuition funds generated by the unit's students (using a mix of student credit hours and degrees or majors as the measure of activity). A merit of the formula is that it provides a change in allocation that automatically accompanies any change in grant and contract or tuition-generating activity. A demerit, though, is that the formula does not necessarily provide the correct change in allocation, due to the differential costs structures of the units. The formula could, in principle, provide too much or too little. A change in supplement funds can thus provide an "adjustment" that can help to reflect the diversity of costs actually experienced by the units.

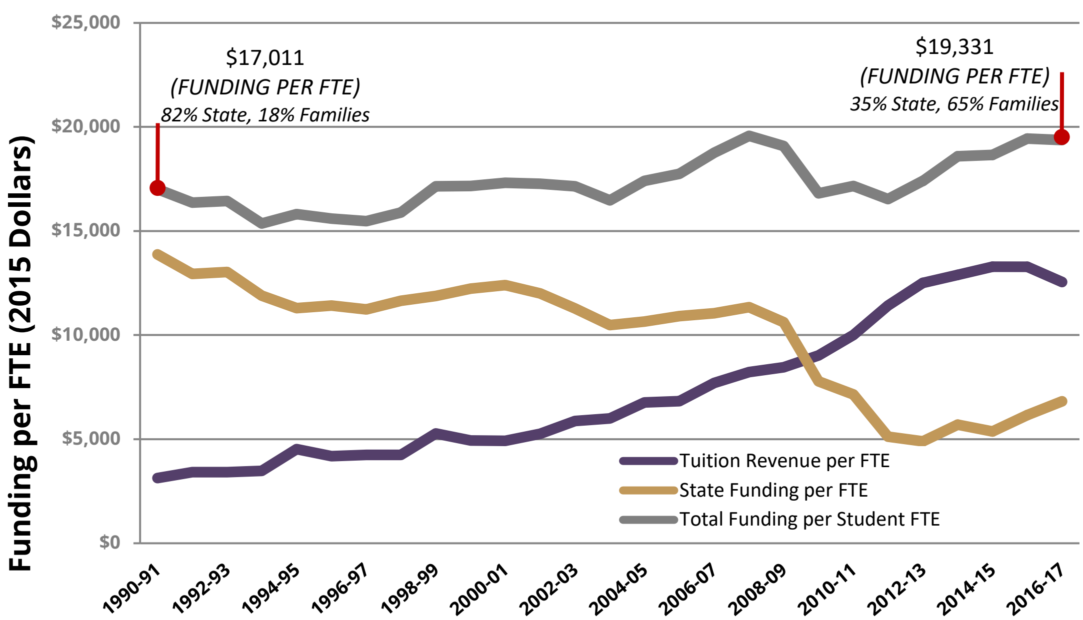
It is clear to this committee that the Provost, working with consultative budget committees and executive leadership, has the authority to change the supplement (e.g. permanent GOF and DOF budgets) of schools, colleges and administrative units. That authority has not been emphasized recently and this committee suggests that we both advance this notion and normalize it as part of the annual budget cycle. Historically, prior to ABB, the re-allocation of funds between schools and colleges was rare as the emphasis was on allocation of new or incremental funds. Under ABB, the expectation is that the Provost would have supplemental funds for investment in new programs and initiatives, however, due to financial challenges and limits on tuition increases, this has not happened at the level anticipated.

The ABB model relies upon a formulaic approach to distributing several revenue sources. The supplement distribution is unlikely to be effectively administrated by a prescribed or formulaic approach, because of the need to exercise judgment. Among many reasons for this are large and rapid swings in state funding associated with changes to resident undergraduate tuition policy that, over time, have complicated any consistent approach to tuition and supplement funding. Figure 1, below, displays per student funding levels generated from tuition and state appropriations, for all student FTE, regardless of tuition category.

Since ABB was implemented, the supplement funding levels have changed, but there has also been a significant shift in the undergraduate tuition pool, resulting from tuition rate increases and enrollment growth, that has generated and distributed significant new tuition funding directly to schools and colleges.

It is only in the last two biennia, when resident undergraduate tuition rates were both frozen and decreased, that the ABB model, which relies on growth, began to return less formulaically derived revenue to schools and colleges, dramatically constraining some unit-level plans and emphasizing the tradeoffs in cross-subsidization that were always present, but less acute, when revenue dependably increased.

Figure 1. Per Student Funding Levels, Inflation-Adjusted, from State Appropriations and Tuition



This committee believes that the Provost should develop a transparent and collaborative process that allows for the modification of supplement levels to maximize the academic and financial health of the University. Under the prior budget model, funds rarely shifted between schools and colleges; the UIF initiative in the early 1980's was the last major effort to move GOF between schools to meet identified UW initiatives. The committee recognizes that a change in supplement funding may be financially prudent, and that the Provost should do so only after consultation with the President and executive leadership, and to the extent possible based upon specific and well-understood principles. Ideally, any changes should be based on detailed planning, especially with the school(s) or college(s) identified for reduced funding, and include at least a one-year advance notification to prepare for new, lower funding levels.

As such, the committee agreed that a set of principles, documented in policy, understood by many and adhered to whenever possible, would reduce concerns that an arbitrary or capricious approach to supplement funding changes would prevail.

RECOMMENDATION: PRINCIPLES FOR CHANGES TO SUPPLEMENT FUNDING

Supplement funding levels could be adjusted in response to various changes, some of which are described below. Some committee members recommended that the Provost adjust the name “supplement” to “strategic supplementation” to emphasize the dynamic and intentional nature of permanent funding levels.

Principle: Deconstruct “hold harmless”

The concept of “hold harmless” should only be applied to the supplement when formulae change. Holding activity units harmless during transition periods when formulae change entails a compensatory shift in the supplement. However, holding units harmless from the effects of the formula essentially forever should be an exception and the result of leadership choice, rather than a default position.

Principle: Dampen major swings

It is critical to the institution that units not experience dramatic and sudden budgetary decreases. The Provost should phase in any budget cut that would produce undue duress in recognition of the fact that schools and colleges hold tenured lines that cannot be violated, but should not be spending beyond their means either. At the same time, rapid increases in the formulaic allocation (for example due to the rapid growth of resident undergraduate tuition during the period 2009 to 2012) when not linked to a corresponding increase in unit costs of operation, would constitute a reason to reexamine supplement levels. In recognition of the fact that schools and colleges hold tenured lines, the Provost should work with impacted units to phase in budget changes.

Principle: Consider cost of programs

A great public research university cross subsidizes its programs and all students, faculty and staff benefit from the breadth and depth of a diverse academic and research enterprise. It is also true that degrees and majors vary in costs and that budgets and the supplement should reflect those differences. The fragile system of cross subsidization may be compromised as student demand shifts from program to program, without regard to underlying costs.

Instructional programs typically include higher- and lower- cost activities on a per student basis. A large lecture class might be a lower-cost activity; a small upper division course, or laboratory course, might be a higher-cost activity. The formulaic ABB allocation could in principle under- or over-compensate a change in scale of such a program, justifying a change in supplement. In evaluating funding (or changes in supplemental funding), the Provost should ideally evaluate cost effectiveness in teaching and research delivery.

Principle: Deploy state funds strategically

State funding is often appropriated unevenly, and tends to be targeted to specific programs. However, the supplement reflects both Provost and state legislative funding decisions. Any changes in supplement funding should be made to meet the future strategic needs of the greater UW community.

RECOMMENDED PROCESS

The Provost is the Chief Budget Officer of the University, and as a function of delegated authority, reviews and takes action in regards to faculty hiring plans, budget plans, and direct management of deans and many unit heads.

From time to time, supplement adjustments must be made to redeploy funds for enterprise-level expenses. For example, a devastating major event, such as an earthquake, or a significant change in federal policy, may warrant permanent budget reductions to supplements. In addition, a change in university mission, values, or areas of emphasis would require an adjustment. Universities must periodically pursue new initiatives to meet societal needs, to pursue excellence, or confront and move beyond a major disaster or policy change. Sometimes a permanent investment is required, which would necessarily come through revisions to units' supplements.

Apart from sudden events or changes that would require swift supplement reductions, the principles outlined in this report prompt regular review and assessment of unit supplements. In addition, the committee noted that leadership in schools and colleges would want to plan for changes to supplement levels.

This committee recommends that budget meetings with schools and colleges expand in scope to include a college or school-wide program review of GOF and DOF permanent budget use, including current fiscal year and 3-5 years of projections, for both revenues and expenditures. Schools and colleges would be able to brief the Provost on the following elements: use of core operating budget funds; general needs and issues; impact of changes in funding (via supplement adjustment); and programmatic priorities. This review would include faculty staffing and hiring plans, enrollment plans and an assessment of strengths and weaknesses. The commitment to detailed planning and review will support strategic decision making and resource allocation that is required to best utilize the limited resources available to the UW to meet its competing and important strategic goals in future decades.

Review of Calculation Changes

There are a number of instances when decisions must be made about the details of tuition revenue calculations. Although the materiality of such decisions is relatively small relative to the total amount of tuition distributed, the consequences to units can be non-trivial. Examples of such issues are the handling of tuition exemptions, nuances about major, degree, or curriculum mapping, and other adjustments that may be required as small changes in the UW student information database are made. OPB is responsible for operationalizing the calculation methodology agreed to under ABB, but it seems appropriate to provide units the opportunity to review or revise choices about how to deal with such issues.

PROPOSED RECOMMENDATION

We recommend that the Provost convene an advisory committee to serve as a decision-making body when data decisions are required.

- The committee would be convened by the Provost,
- The committee would include six to eight members from units,
- Committee membership could be changed annually, to avoid overburdening specific individuals and to provide representation to all units,
- Members should include a mix of administrators, unit IR staff, and unit staff representing a more academic perspective,

- The committee would be expected to make or approve data/methodology decisions where they feel comfortable doing so, and,
- The committee may elevate issues to the overarching ABB committee when appropriate.

Thank you for charging our committee with this important work. We hope that these proposals are helpful to you.

Sincerely,

Sandra Archibald, Dean and Professor, Evans School of Public Policy and Governance, Chair, Board of Deans and Chancellors

Zoe Barsness, Associate Professor, Milgard School of Business, Chair, Faculty Senate

Rovy Branon, Vice Provost, UW Continuum College

Jessica Brase, Assistant Dean, Finance and Operations, School of Law

Carol Diem, Director of Institutional Analysis, Office of Planning and Budgeting

David Green, Chief Financial Officer, School of Medicine

Sarah Norris Hall, Associate Vice Provost, Office of Planning and Budgeting

Paul Hopkins, Professor and Department Chair Emeritus, Department of Chemistry, Chair, Faculty Senate Committee on Planning and Budgeting

Soh Yeun (Elloise) Kim, President, Graduate and Professional Student Senate

Daniele Meñez, President, Associated Students of University of Washington

Linda Rose Nelson, Director, Finance and Administration, College of Arts & Sciences

Kojay Pan, Director, Finance and Administration, College of Engineering

cc: Board of Deans & Chancellors
Faculty Senate Committee on Planning & Budgeting
Unit Administrators