



February 11, 2016

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Dear Colleagues:

I am writing to ask you to serve on the University's Activity Based Budgeting Phase II Committee. In this letter, I will outline some of the key issues we need to address and a timeline for this work.

Activity Based Budgeting (ABB) was fully implemented in Fiscal Year 2013, though two "soft launch" years preceded the full launch. The introduction of this incremental revenue distribution model marked the beginning of more transparent budgeting and revenue allocation processes at the University of Washington in Seattle. Under ABB, a large portion of the operating revenue for the University is distributed formulaically, and schools, colleges and administrative units are able to review all allocations and funding decisions for every other unit.

Despite new transparency and a shift from centralized budgeting to localized school/college budgeting, ABB has brought to the fore many campus-wide academic practices that align imperfectly with the current model, possibly creating undesirable consequences when the current model is applied. As is the case with any budgeting model, ABB is imperfect and has shortcomings. ABB's original architects anticipated that **periodic review and, eventually, a substantial formal review** would be necessary to discuss these shortcomings and to possibly plan for and enact mitigating changes to the model. I write to you now to discuss the timeline, scope and committee responsibilities for this formal review.

Background and Current State

Though an ABB Committee met regularly from 2013 onward to discuss issues with and possible changes to the model, the ABB Committee recognized that the model brought to light certain academic issues, including funding stipends and forgoing revenue for graduate students employed in different schools/colleges; cross-listed courses/degrees; teaching and research collaboration; and

introduction of new undergraduate courses/degrees. These considerations have budgetary implications but, given the grounding in academic policy, require faculty and dean consideration and leadership. As such, the incoming chair of the Faculty Senate Committee on Planning & Budgeting (SCPB) and the incoming chair of the Board of Deans and Chancellors (BODC) opted to charge existing faculty committees with investigating these issues and reporting back to the ABB Committee by December 2015.

Faculty Council charge letters and reports are available for review at the following links:

- The **Faculty Council on Academic Standards** reviewed **educational collaboration**, with a focus on joint courses/degrees and new academic initiatives. The final report is available **here** for review.
- The **Faculty Council on Research** considered whether ABB affects **collaboration in research**. The final report on the effects of ABB on collaborative research is available **here** for review.
- The **Faculty Council on Teaching and Learning** investigated the **current treatment of summer quarter** as an Educational Outreach endeavor and exploring related implications on faculty salaries and research; the final report is available **here** for review.
- The **Graduate School Council** discussed **cross-college hiring of graduate students** and graduate student waivers; the final report is available **here** for review.

Council reports were due by the end of fall quarter 2015, but most were received in January. Importantly, **in order to integrate the faculty councils' findings and recommendations into the Phase II Committee's scope of work, I waited to convene the Phase II Committee until all councils had completed their work.**

Now that each of these faculty councils have submitted reports, the Phase II Committee is convened. Faculty councils, ABB survey results, and inquiries from many stakeholders have been used to inform this committee's goals and objectives for the next several months. In addition, deans, administrators, and faculty leaders responded to a survey in early January to solicit feedback about ABB and make suggestions as to the scope of this committee work; these recommendations have been integrated into the goals/objectives below. A summary of survey results is available at the following location: <http://opb.washington.edu/activity-based-budgeting>.

Goals/Objectives for ABB Phase II

1. Generate a list of frequently asked questions, along with informative answers, to help address concerns from faculty and students about the academic effects of ABB. To begin, this FAQ, which will be available on the ABB website, will help to address some of the common misconceptions that the survey brought to light. In addition, information about some of the possible effects of ABB about which campus constituents have expressed concern (e.g., changes in class size at all levels; graduate course offerings; size of course offerings and use of teaching assistants) will be provided, as will information about the use of incremental and base tax revenue from indirect cost recovery (ICR), state funds, tuition revenue and miscellaneous fees. As the work of this committee continues, responses to other questions or concerns that emerge in your discussions with relevant committees and stakeholders will be added.
2. In response to the Faculty Council on Academic Standards (FCAS) report, please:
 - a. Examine the process by which new joint courses and degrees are created, and provide specific recommendations to streamline the process by which deans, faculty, etc. establish these offerings.
 - b. Clarify faculty council roles regarding how new courses and degrees should be contemplated and by whom in light of concerns around ABB.

- c. Study revenue distribution trends given the current Student Credit Hour (SCH)/major enrollment revenue distribution rules (e.g. 20/80, 60/40 splits) and consider how changes to this distribution would affect undergraduate-serving versus primarily graduate-serving schools and colleges.
 - d. Analyze whether changing the current mechanism for distributing tuition revenue from course of record to instructor of record is advisable and what alternatives may exist.
 - e. Consider altering the distribution of Provost Reinvestment Funds (PRF) to contemplate a special PRF pool for interdisciplinary teaching.
 - f. Clarify how incremental state funds are distributed and how they affect the supplement.
 - g. Examine whether ABB affects graduate/professional student enrollment and persistence.
3. In response to the Faculty Council on Research (FCR) report, please:
- a. Produce an educational brief regarding the distribution of Indirect Cost Recovery (ICR) before and after the full launch of ABB.
 - b. Consider altering the distribution of PRF to contemplate a special PRF pool for interdisciplinary research.
 - c. Examine the distribution of ICR to collaborative research centers.
4. Faculty Council on Teaching and Learning (FCTL)
- a. After reviewing the FCTL report, I do not believe ABB Phase II should consider altering the current ruleset for summer quarter.
5. In response to the Graduate School Council (GSC) report, do the following:
- a. Provide data regarding the number of students who receive appointments outside of their school/college of enrollment and monitor trends in the coming years.
 - b. After reviewing the GSC report, I do not believe ABB Phase II should consider altering the ruleset to accommodate foregone tuition revenue that is not generated when a graduate student enrolls in a particular school or college, but receives employment as a TA or an RA in another school/college. However, as trend data suggest that a school/college is affected significantly from this activity, I encourage affected deans to collaborate with hiring deans on a range of mitigating solutions.

Resources to Stay Informed and Involved in ABB Phase II Work

Though many of these resources may feel familiar, the Office of Planning & Budgeting (OPB) will make every effort to keep various constituencies updated and, importantly, will provide forums to solicit feedback, questions and advice along the way. The ABB Phase II Committee should support OPB's work in this regard and take steps to ensure that stakeholders are kept apprised of the Committee's progress.

OPB maintains a website containing all ABB resources and manuals, tuition distribution models, important reference documents, charge letters, ABB Committee agendas and ABB Committee meeting minutes. This website is available at the following location: <http://opb.washington.edu/activity-based-budgeting>. Stakeholders will be encouraged to contact OPB or any of the ABB Phase II Committee members with any questions or concerns.

Overview of the Collaborative Process and Timeline

Committee agendas, suggested modifications to the ruleset, and final decisions made by the ABB Phase II committee will be reviewed by SCPB, BODC, the Administrator's Council, and the Provost Advisory Committee for Students at their regular meetings throughout the process. As was suggested by previous leaders in SCPB and BODC, this review will make use of current committee structures to analyze ABB-related work and provide forums for suggestions regarding modifications to the ruleset.

SCPB, BODC, and the Administrator’s Council will each have access to, and opportunities to modify, the work of the ABB Phase II Committee. In addition, any recommendations being considered by the ABB Phase II Committee must be presented to SCPB, BODC, and Administrator’s Council for consideration and refinement. Figure 1 below provides an indication as to how I envision this collaborative process will unfold.

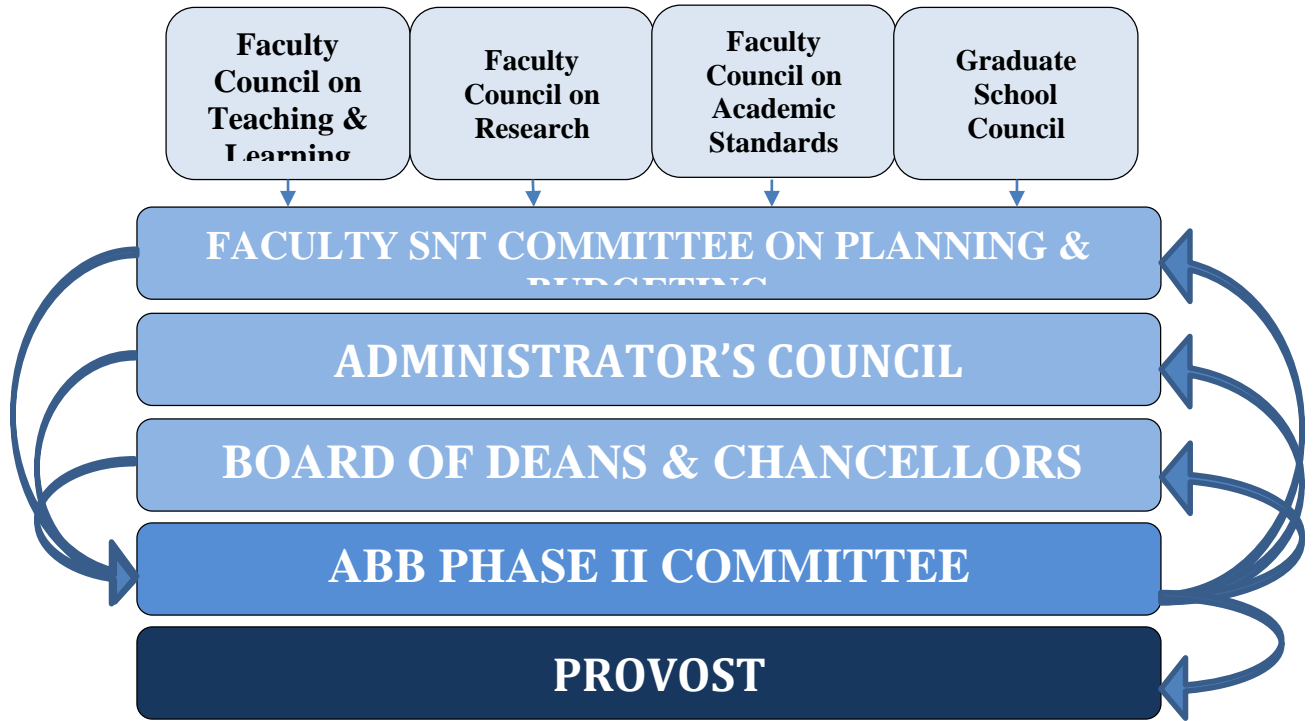


Figure 1. Information and decision making flow chart for ABB Phase II work.

The ABB Phase II Committee must summarize and consider recommendations from all parties and individuals regarding the alteration of existing ABB rules. I will review the Committee’s summary, make any final decisions and broadly communicate my decisions as soon as possible, but at least six months before the start of FY18 (July 1, 2017).

General Timeline

In order to provide deans, vice presidents, vice provosts, unit heads, and unit administrators with sufficient time to understand the effects of any changes to the model, I expect that modifications to ABB will be finalized at least six months in advance of FY18. Your committee will furnish a draft report to the committees and council noted above in June 2016. As such, below is a draft timeline for your information:

- **December 2015**
 - Faculty council reports were due to SCPB and the ABB Committee. However, we know that several reports were delayed until early February 2016.
- **January 2016**
 - SCPB, BODC, Administrator’s Council, and ABB committee reviewed available faculty reports.

- ABB committee began briefings to the groups noted above.
- General ABB survey was sent out to the campus community to solicit feedback from the current model.

- **February 2016**
 - ABB Phase II Committee officially convenes.
 - ABB Phase II Committee breaks into subcommittees focusing on the goals and objectives outlined in this letter.

- **March 2016- June 2016**
 - ABB Phase II Committee co-chairs provide regular updates to SCPB, BODC, and Administrator's Council for feedback and modifications.
 - OPB staff continue to update the ABB webpage with meeting agendas, minutes, work papers and draft recommendations.
 - By June 1, 2016, ABB Phase II Committee submits report to the committees and councils for public comment.

- **July 2016**
 - ABB Phase II Committee submits final report with recommendations to me.

Thank you for engaging in this important work. As you know, ABB is the mechanism by which we distribute central university operating resources to our schools, colleges and academic support units. It is critical that your committee respond to campus concerns and refine the model where necessary.

Sincerely,



Gerald J. Baldasty
 Interim Provost and Executive Vice President
 Professor, Department of Communication

cc: Board of Deans and Chancellors
 Faculty Senate Leadership
 Senate Committee on Planning and Budgeting
 Unit Administrators
 Vice Presidents
 Vice Provosts
 David Anderson, Executive Director, Health Sciences Administration
 Rolf Johnson, Chief of Staff, Office of the President
 Karin Nyrop, Division Chief, Attorney General's Office