**Date: February 25, 2016**

**Subject: 2016 Supplemental Budget Proposals (Making Changes to the 2015-17 Biennial Capital and Operating Budgets)**

# **Introduction**

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 University’s operating revenues 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. Though an ABB Committee met regularly to review short-term issues, a five-year review was promised when the original model was implemented. As you have heard, ABB’s five-year review is occurring during this academic year, with an eye toward drafting and publishing possible changes to the model in June 2016.

# **Process Overview**

The scope of ABB Phase II Committee work was crafted exclusively from elected faculty councils, student suggestions and survey responses from these groups and deans. As a reminder, in July 2015 faculty councils were charged with investigating four areas of academic life that are imperfectly addressed by the current budget model. Faculty council charge letters and their final reports are available online, but an overview of each council’s charge is included below:

* The[**Faculty Council on Academic Standards**](http://www.washington.edu/faculty/councils/fcas/) [**reviewed educational collaboration**](http://opb.washington.edu/sites/default/files/opb/Budget/FCAS_ABB_Charge.pdf), with a focus on joint  courses/degrees and new academic initiatives. The final report is available [**here**](http://opb.washington.edu/sites/default/files/opb/Budget/Narratives/FCAS%20Report%20to%20ABB%20Committee.pdf) for review.
* The [**Faculty Council on Research**](http://www.washington.edu/faculty/councils/fcr) considered whether ABB affects [**collaboration in research**](http://opb.washington.edu/sites/default/files/opb/Budget/FCR_ABB_Charge.pdf). The final report on the effects of ABB on collaborative research is available [**here**](http://opb.washington.edu/sites/default/files/opb/Budget/FCR%20report%20to%20ABB%20Committee%2012-15-2015.pdf) for review.
* The [**Faculty Council on Teaching and Learning**](http://www.washington.edu/faculty/councils/fctl) investigated the [**current treatment of summer quarter**](http://opb.washington.edu/sites/default/files/opb/Budget/FCTL_ABB_Charge.pdf) as an Educational Outreach endeavor and exploring related implications on faculty salaries and research and the final report is available [**here**](http://opb.washington.edu/sites/default/files/opb/Budget/Narratives/FCTL%20report.pdf) for review.
* The[**Graduate School Council**](http://www.grad.washington.edu/fac-staff/gscouncil/)discussed [**cross-college hiring of graduate students**](http://opb.washington.edu/sites/default/files/opb/Budget/GSC_ABB_Charge.pdf) and graduate student waivers and the final report is available [**here**](http://opb.washington.edu/sites/default/files/opb/ABB%20Report%20on%20Graduate%20Tuition%20Waivers.pdf) for review.

The scope of work for ABB Phase II was detailed in Interim Provost Baldasty’s charge letter to the committee and, like all ABB Phase II documents, is available online for review.[[1]](#footnote-1)

**Please read each council’s report before reviewing how the ABB Phase II committee proceeded with its work.**

Once all faculty council reports were received in February 2016, the ABB Phase II Committee broke into several smaller subcommittees to tackle each of the goals and objectives in its charge letter. Each subcommittee has until the end of April or mid-May at the latest to finish its work in order to coordinate a report for wide distribution by early June.

Subcommittee tasks are presented below for information.

# **ABB Phase II Subcommittee Structure and Current Projects**

1. **Role of FCAS: New courses and program approvals**

**Chair: Paul Hopkins**

**Member: Kate O’Neill**

The FCAS report contained several observations and concerns about the notion of joint courses and degrees that fall into “potentially duplicative” categories. As such, we began focusing on the ways in which existing faculty-led processes could be modified to contemplate the financial and curricular ramifications of new courses and degrees that might fall into this category. Preliminary observations are offered by the subcommittee below, to be considered and modified by others, including BODC:

* It is critical that UW develop institution-wide policies and procedures concerning the creation or modification of courses or degree programs that have the potential to inflict deleterious financial consequences on other units (i.e. “potentially duplicative”).
* These policies and procedures should be publicized to make schools and colleges to aware of the institution’s stance on potentially duplicative courses/degrees prior to requesting a new course or program approval.
* FCAS should remain the first place where new courses and programs are brought for consideration, based not only upon academic considerations, but also upon adherence to institutional policies regarding potentially duplicative courses/degrees.
* FCAS should develop a process flow for contentious issues.
* Though FCAS would deliver a decision, there should be an appeal process including a (new?) committee to have a final say on the appeals.
* It would be desirable for appeals to be rare and overturns of FCAS decisions even rarer. If experience indicates otherwise, the process for the initial assessment should be revisited.
* This appeals board could be SCPB, a subcommittee of ABB Committee, etc., but more faculty should be involved than not.
* To do: Research how peer institutions deal with similar issues.
* To do: Seek broad feedback before suggesting this scenario.

1. **FCAS Recommendations: Tuition revenue allocation methodology**

**Chair: Linda Rose Nelson**

**Members: Sandy Archibald, Dave Green, Dave Anderson, Paul Jenny, Mary Lidstrom, Rovy Branon, Abe McClenny (ASUW rep), Kerstin Hudon (GPSS rep), Suganya Sundaram, Carol Diem**

The FCAS report also noted several concerns about the method of distributing net tuition revenue as well as the splits for student credit hour/degree and major enrollment/degree. This subcommittee is tasked with analyzing various methods to allocate the tuition revenue and provide recommendations on whether to change the current parameters for distribution or not.

Listed below are the various tasks that the subcommittee has agreed upon for the time being:

* Consider changing current attribution of SCH to units based to instructor of record. **Please see BODC Attachment 1 – Summary of instructor of record.**
* Run different scenarios of undergrad and grad tuition revenue distribution and analyze their impact to schools and colleges. **Please see BODC Attachment 2 – Tuition distribution scenarios, tabs “Undergraduate tuition scenarios” and “Graduate tuition scenarios.”**
* Run a model taxing 10% from net undergraduate tuition revenue (after Provost tax) to fund TAs and RAs. **Please see BODC Attachment 2 – Tuition distribution scenarios, tab “10% off Undergrad Tuition.”**
* Identify the cost of TAs by college and in order to partially understand how they are currently funded. Hopefully, this analysis will clarify whether there is a gap between the need and the availability and funds in order to determine whether 10% of undergrad tuition would help fill the gap. **Please see BODC Attachment 2 – Tuition distribution scenarios, tab “10% off Undergrad Tuition.”**
* Write a clear statement of the current PRF distribution principles, review peer institutions practices in distributing PRF and provide recommendations to the Provost based on the findings.
* Clarify how Incremental state funds are currently distributed and look into possible parameters for better distribution of funds, where possible and allowable by state law. Note clearly that compensation provided by the state is insufficient. As a result, the PRF pool is being used to fund compensation and not strategic investments in specific programs as we had planned when ABB was fully implemented.
* In addition, consider whether we should conduct a thoughtful periodic review of supplement by unit.

Please see attachments included with this overview for additional information.

1. **FCR Recommendations: Distribution of Indirect Cost Recovery (ICR)**

**Chair: Mary Lidstrom**

**Members: Dave Anderson, Norm Beauchamp, Amy Floit, Charles Kennedy**

**Additional participants: Lisa McDonald (OPB)**

FCR identified several areas for exploration, particularly around the lack of knowledge regarding the current method for distributing ICR, the rationale behind the method, and the transition issues faced by the original ABB committee.

This subcommittee is working to accomplish the following in response to FCR’s recommendations and observations:

* Write and publish an educational brief providing a simple explanation about the distribution of ICR for the record. Though the ICR allocation data are extremely difficult to provide as part of a brief, a simple explanation of the transition should be produced with a few examples to highlight the complexity of the change.
* Though a pool of funds to support collaborative research from the existing pool of funds is not financially feasible at this time, there are funds supporting collaborative research and the Office of Research will provide information on the funds currently available.
* Though there are approximately 288 organized research units (ORUs), their funding and organization are only loosely monitored due to staffing constraints. A subset of these will be researched in order to begin the work of documenting the organizational and financial support of these organizations. If these organizations do not have policies regarding sharing of ICR return established, then they will be asked to establish policies.
* Make the existing policy on sharing ICR funds among interdisciplinary research units more widely known and make sure the policy binds central matching funds to encourage collaboration.

1. **ABB and Graduate/Professional Education**

**Chair: Sandy Archibald and Dave Eaton**

Dave and Sandy began preliminary conversations with the deans regarding graduate tuition, enrollment and the effect of waived revenue as an artifact of cross-college hiring. More updates will be provided by Sandy in the next meeting.

1. **ABB FAQs and Online Content Management**

Finally, the entire ABB Phase II committee is responsible for brainstorming ideas to facilitate better understanding of the ABB model. Though its web presence is vastly improved, more work remains. The work includes, but is not limited to, producing an online form for questions and suggestions, publishing ABB tutorials in varying formats, producing an exhaustive and approachable list of FAQs, and convening periodic educational sessions.

1. Charge letter available here: <http://opb.washington.edu/sites/default/files/opb/Budget/Narratives/ABB%20Phase%20II%20Committee%20-%20Feb%202016.pdf>. [↑](#footnote-ref-1)