

December 20, 2017

Joint Taskforce on Supplement Distribution

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Erin Guthrie, Director, ex-officio, Office of Planning & Budgeting, staff to committee

Dear Colleagues,

I am writing to request your participation on a Joint Taskforce on Supplement Distribution. This taskforce will be responsible for reviewing and reconsidering how 'supplement' funds are distributed to units through Activity Based Budgeting (ABB).

When ABB was fully introduced on the Seattle campus, a "hold harmless" provision was implemented. Each Seattle school, college, or administrative unit received a "supplement" that was equivalent to the unit's "total base ABB budget," minus its total GOF and DOF budget—the former being predominantly the formulaically derived tuition and ICR allocation. This difference became known as the "supplement." Said another way, supplement funds were distributed to units as *the difference between the GOF/DOF base and calculated tuition and ICR revenue*.

Since ABB's implementation, the undergraduate tuition pool has significantly changed due to tuition rate changes, enrollment growth, and migration of activity between schools and colleges. These three factors resulted in significant, new tuition funding being distributed to schools and colleges and, ultimately, shifting *between* schools and colleges.

In January 2017, I charged an ABB Oversight Committee with, among other things:

- Reviewing the original approach to defining and distributing the supplement;
- Documenting the original approach as well as the modifications that have affected supplement growth or contraction; and
- Proposing principles for annual review of supplement and principles for redistribution.

In June 2017, the Oversight Committee made the following recommendation regarding the supplement:

- "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..."
- In addition, the committee recommended that the supplement be amended:
 - To dampen major swings in tuition revenue;
 - To deconstruct the 'hold harmless' agreement;
 - To consider the cost of programs; and
 - To deploy state funds strategically.

As the committee noted, the Provost has the authority to amend the supplements provided to units; however, I recognize that any sudden changes may prompt financial challenges at the unit level. Thus, I am charging a joint taskforce of deans and faculty with considering the unit supplement construct.

I ask that the taskforce design a forward-looking, realistic set of recommendations regarding supplement distribution that seeks to minimize financial duress to individual units and recognizes the significant circumstantial changes in tuition revenue distribution and program delivery. In addition, the taskforce's analysis should recognize that the supplement is a mechanism for managing state subsidies and cross-subsidies between Seattle units.

As part of that work, the taskforce should develop a conceptual framework that differentiates the following flavors of state funding:

- **Permanent state subsidy** needed to supplement tuition revenues;
- **Seed money** provided for the establishment of programs before revenue generation is generated, and for which state subsidy is not required in perpetuity; and,
- **Funding for activities or programs** that may not be core to our mission and thus, subject to annual funding reviews.

In addition, the taskforce should review several options generated by the Office of Planning & Budgeting (OPB) regarding changes to supplement distribution. These include:

- Modifying ABB "tax" rates;
- Taxing tuition revenue growth;
- Implementing a rolling supplement reset; and,
- Adjusting undergraduate per-credit/degree allocations.

Additional ideas and considerations will be brought to bear for discussion.

As it evolves, the work of our taskforce will be shared with the Board of Deans and Chancellors, Faculty Senate Committee on Planning & Budgeting, and Academic Unit Administrator group. Our charge is to design recommendations **by the end of winter quarter, March 15, 2018**, to facilitate action in the FY19 budget development cycle.

I hope that you will join in this taskforce and help steer the University of Washington on this critical endeavor.



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

cc: Ana Mari Cauce, President
Board of Deans and Chancellors
Faculty Senate Committee on Planning & Budgeting