

Central Budget Policies and Assumptions for FY19 Fiscal Reports

Updated on 12/1/2017. Updated cells are noted in red.

The following table provides central budget policies and assumptions, which can be used when completing the fiscal reports for the FY19 Annual Review process. Please note that these central assumptions are generic and, in many cases, imperfect. Please feel free to use modified assumptions in your fiscal projections to more accurately represent what you expect for your unit. On the "Alternative Assumptions" tab of the Annual Review Excel workbook, please clearly identify and briefly explain any assumptions used in your calculations that are different from these central budget assumptions.

Planning Parameter	Description	Assumptions	Resources	
REVENUE: General Operating Fund (GOF)				
GOF - OVERALL	GOF is comprised of state funding and tuition revenue.	For FY18, please review your unit's allocations in the FY18 ABB Allocation table (linked to the right). For FY19 onwards, please review trends specific to your unit in the ABB Trends brief (linked to the right).	FY18 ABB Unit Allocations ABB trends brief	
State Funding	State funding makes up approximately 5% of the UW's overall budget. The 2017-19 state operating budget (enacted in the 2017 legislative session) provided \$351.7 million to the University in FY18, and \$368.8 million in FY19. The legislature will likely pass a supplemental budget in the upcoming 2018 legislative session. State appropriations are distributed to schools, colleges and campuses according to legislative intent and state law. Funds with no legislative directive, though extremely rare, are available to support the strategic priorities of the University and are distributed by the Provost, in consultation with academic and administrative leadership.	The state's 2017-19 operating budget included several "provisos" with funding for specific university initiatives and projects in FY18 and/or FY19. See OPB's brief (linked on the right) for details. Assume that the state will not revise its FY18 and FY19 funding for the UW during the 2018 legislative session. In FY20 and FY21, the state <i>may</i> provide some new provisos for specific projects, but we assume there will be no increase (or decrease) in the state funding that can be distributed broadly to units. Next spring (2018), there will be a call for state funding proposals, which will inform the University's 2019-21 budget request to the state.	UW's FY18 Operating Budget (see page 23) OPB Brief: Final 2017-19 State Budget	
Tuition Revenue	The University allocates new, net tuition revenue to the unit(s) that conduct the activity generating the new revenue. Net tuition revenue is the total of all operating fees charged to students after subtracting waivers, grants, and certain fees. By statute, a specific percentage of tuition fees are credited to the UW Building Account (building fees) and are to be used exclusively for constructing, altering, and maintaining buildings; these funds are appropriated by the legislature. Under ABB, Bothell and Tacoma retain 100 percent of net operating fee revenue. In Seattle, 70 percent of net tuition operating fee revenue is distributed to schools and colleges, and 30 percent is retained by the Provost for basic university functions and strategic investments (Provost Reinvestment Fund, or PRF).	Please assume that undergraduate tuition revenue will continue to be distributed 80 percent on the basis of student credit hours (SCH) and 20 percent on degrees, and that the graduate tuition revenue will continue to be distributed 80 percent on the basis of SCH and 20 percent on major enrollments. Please assume that for FY19 and future years, the risk pool stays at 1.5%. Please also assume that the "return to aid" policies that dictate, in part, the amount of tuition revenue that is available for distribution will hold for the foreseeable future. Quarterly updates to tuition estimates will be posted to the ABB website, linked to the right.	ABB Website	
Tuition Revenue Subcomponents	Tuition Rate Increases - Resident Undergraduate	Resident undergraduate tuition rates are set by the state legislature. Current policy (2ESSB 5954, 2015) dictates that the operating fee is to increase by no more than the 14-year rolling average of Washington's median hourly wage.	Assume that current state tuition policy for resident undergraduates will be maintained, which allowed a 2.2% increase in FY18 and will likely allow a 2.0% increase in FY19. Assume resident undergraduate tuition increases of approx. 2.0% per year in FY20 and FY21.	Second Engrossed Substitute SB 5954 (2015)
	Tuition Rate Increases - Campus-wide	Campus-wide tuition categories include nonresident undergraduate tuition and resident and nonresident Graduate Tier I, II, and III. These rates are set through a collaborative process.	In FY18, nonresident undergraduate tuition increased by 2.2%. In FY19 onward, assume that tuition for non-resident undergraduates will increase by an average of 2.0% per year. In FY18, tuition for Graduate Tiers I and II did not increase, but Graduate Tier III increased by 3%. In FY19 onward, for the purposes of this exercise, assume that tuition for Graduate Tiers I-III will increase by an average of approx 1% per year.	
	Tuition Rate Increases - Other Graduate Categories	Tuition rates for other graduate categories are recommended by units owning those programs, and are subject to review through this process and approval by the Board of Regents.	In FY18, changes to other graduate categories ranged from -8% to 6%. For FY19, initial rate recommendations ranged from -8% to 6%. For FY19, please assume the tuition recommendations that your unit is providing as part of its Annual Review submission. Please assume that Deans continue to make recommendations for rates in out-years.	FY18 Tuition Rates and Preliminary FY19 Recommendations (as provided during the FY18 budget process)

Planning Parameter		Description	Assumptions	Resources
Tuition Revenue Subcomponents (cont.)	Undergraduate Enrollment	Enrollment of tuition-paying undergraduate students across the UW's three campuses in Seattle, Bothell, and Tacoma. An important consideration is that current space constraints limit the University's ability to grow, particularly in areas of high student demand.	The UW's FY18 budget assumed that undergraduate enrollment would grow by less than 1% at Seattle, by 4% at Bothell, and by 4% at Tacoma. In FY19 onward, for the purposes of this exercise: • At Seattle, assume no undergraduate enrollment growth. However, Seattle academic units should use enrollment assumptions based on their own data/projections. The "Enrollment Summary" dashboard in UW Profiles (linked to the right) can serve as a resource. • At Bothell, assume enrollment growth will follow the campus's agreement with the Provost. • At Tacoma, assume enrollment growth will follow the campus's agreement with the Provost.	UW Profiles - Enrollment Summary (click here, if you do not have access to UW Profiles)
	Graduate Enrollment	Enrollment of tuition-paying graduate and professional students across the UW's three campuses in Seattle, Bothell, and Tacoma.	At a high level, assume flat enrollment for all graduate students moving forward. However, as above, academic units should use enrollment assumptions based on their own data/projections.	UW Profiles - Enrollment Summary
REVENUE: Designated Operating Fund (DOF)				
DOF - OVERALL	DOF is comprised of ICR, IO, fees, administrative overhead, and other items.		For the purposes of this exercise, we assume no growth in total, university-wide DOF budget authority in the next 5 years. However, please use local data and insights to customize your assumptions, if needed.	
Indirect Cost Recovery (ICR)	The indirect cost rate is the rate applied to eligible expenses on a grant or contract budget to track the amount the sponsor will reimburse the University to help cover F&A costs. This rate varies depending on the sponsor and the type of research carried out. Under ABB, units receive 35 percent of ICR they generate.		For the purposes of this exercise, assume no changes in federal or local ICR or "F&A" policies or rates in the next four years. Broadly, assume that research grant and contract revenue will increase by approximately 1% per year; thus we assume 1% increases per year in unit-level and central ICR revenue. However, please use local data and insights to customize your assumptions, if needed.	ICR columns of the FY18 ABB Unit Allocations* Facilities and Administration (F&A) - Office of Research
Institutional Overhead	A percentage of self-sustaining units' revenue from the sale of goods and services, charged to recover costs for building use, physical plant operations and maintenance, and institutional support. The institutional overhead rate is applied to revenues associated with these activities. The UW has two institutional overhead rate categories: on-campus and off-campus, determined by the location of the preponderance of effort by each entity. Under ABB, institutional overhead charges are received as revenue to the DOF fund group and distributed back to units as part of the budget process.		Effective in FY17, rates are 15.60% for on-campus, 6.85% for off-campus activities, and 2% for conferences. For the purposes of this exercise, assume no changes in Institutional Overhead policies from FY18 to FY21.	Administrative Policy Statement - Institutional Overhead Policy
Miscellaneous Fees	This is a group of fees that contribute to DOF revenue. Some of the fees are charged directly to students such as application fees, library fines, late registration fees and others. Other fees are for such items as trademarks and licensing, insufficient funds for return check fees, staff registration fees, etc.		Assume that most fees will remain constant, so enrollment changes (assumptions above) will drive any growth.	
Administrative Overhead	These charges reflect a share of centralized administrative services provided by Seattle to UW Bothell and UW Tacoma, and are calculated as 10 percent of GOF revenue for each campus, excluding funds for salary increases and funds for operations and maintenance.		For the purposes of this exercise, assume no changes in Administrative Overhead policies from FY18 to FY21. However, OPB, UW Bothell, and UW Tacoma wish to engage in a review process, which may result in changes.	

Planning Parameter	Description	Assumptions	Resources
REVENUE: Restricted Operating Fund (ROF)			
Special State Appropriations	General Fund-State (GFS) appropriations are described above. This category pertains to non-GFS appropriations, which are made for purposes specified by the Washington state legislature, and are distributed accordingly.	The 2017-19 state operating budget provided several targeted provisos for FY18 and FY19. Assume that no additional provisos will be provided as part of the 2018 supplemental budget. Assume no additional revenue for the out years, and assume no cuts to permanent provisos.	OPB Brief: Final 2017-19 State Budget
Grants & Contracts - Sponsored Projects	Revenue for indirect research expenditures is captured above, through "Indirect Cost Recovery," under DOF. This category pertains to revenue for <i>direct</i> research expenditures. It is recognized that research expenditures do not necessarily align when comparing them to expected revenue streams. Typically, grants are not fully expended in the year in which they are received. Further, the vast majority of the University's research expenses are associated with federal grants, which means they are often received and expended in alignment with the federal fiscal year.	Broadly, we assume that research grant and contract revenue will increase by approximately 1% per year. However, please use local data and insights to customize your assumptions, if needed. Please note that grants, contracts, and gifts are included in the report to provide the Provost with a more holistic view of a unit's financial activities. The amounts can be reconciled to FAS for biennium 2015-17. However, the grants & contracts amounts will differ from the Annual Report, prepared by the Office of Research. Also, grants, contracts and gifts amounts might differ from the BI Portal "Remaining Balance by OrgCode and Category Report." In both cases, and possibly with other BI Portal reports, this is due to differences in data elements, context and reporting period parameters. While the information is not perfect, it is included to facilitate discussions about the unit's overall financial health.	Office of Research's FY16 Annual Report (please see notes to the left)
Grants & Contracts - Student Aid	This category includes fellowships, scholarships, student loans, state college work study, federal college work study, and misc. sponsored programs.	Please rely on your unit's local data and knowledge of student aid trends to craft appropriate assumptions for your unit.	
Grants & Contracts - Other	This category includes fixed price contracts, program income, clinical medicine, and royalty income.	Please rely on your unit's local data and knowledge of other grants and contracts trends to craft appropriate assumptions for your unit.	
Philanthropy or Gifts & Discretionary	Endowment funds and gift income can only be used for the purposes specified by the granting agency or donors, and are distributed accordingly. The endowment distribution policy approved by the Board of Regents allows 5 percent, or 500 basis points, of the endowment's average quarter market value to be distributed. Of this payout, 400 basis points are allocated to individual endowment shareholders. The remaining 100 basis points are allocated to offset endowment related expenses, with 80 basis points going to Advancement and 20 basis points going to Treasury.	Please rely on your unit's local data and knowledge of giving trends to craft appropriate assumptions for your unit. Please consider that the <i>Be Boundless</i> campaign is scheduled to conclude in FY20. Please also consider that a gift assessment fee may take effect on July 1, 2018, pending Regental approval. If implemented, it will likely apply a 5% charge to all cash gifts (not pledges) of \$1,000 to \$1 million, and to the first \$1 million of multi-million-dollar gifts. Also, please note that the endowment distribution policy is under review. Please also see the "Assumptions" notes for "Grants & Contracts - Sponsored Projects" above.	UW's FY18 Operating Budget (see page 23)
Self-Sustaining/Auxiliary Revenues	The University's large, self-sustaining auxiliary business enterprises include UW Educational Outreach, Housing and Food Services, Intercollegiate Athletics, and Parking and Transportation Services. Other units have smaller self-sustaining operations, within their larger operations.	Overall, these budgets increased between FY17 and FY18, but the exact increases varied by unit. The UW's FY18 Operating Budget assumed a 3% increase in self-sustaining revenue, with no change to any ILP transfers; a 3% increase in operational expenses; and, for salaries and benefits expense changes driven by the assumptions outlined below. For the purposes of this exercise, expect similar changes for FY19. However, please use local data and insights to customize your assumptions, if needed.	UW's FY18 Operating Budget (see pages 32-34 and 43-46)

Planning Parameter	Description	Assumptions	Resources
EXPENSES: Benefits, Compensation, and FTEs			
Fringe Benefit Load Rates	Benefits expenditures are largely driven by the legislature's negotiated rates on employer contributions to employee benefits. Payroll load rates are the rates used to charge fringe benefit costs to budgets. They vary depending upon payroll classifications (for example, classified, professional, hourly, graduate students). Fringe benefits include Worker's Compensation, Unemployment Compensation, Health Plans, Retirement Plans, Social Security Medicare, and Separation Leave. Each year, Financial Accounting and Management Accounting and Analysis (MAA) uses estimated costs to calculate the rates for charging fringe benefits to budgets during the next fiscal year. At the end of the year, the University compares the estimated costs, charged to the budgets, to the actual costs of the benefits, paid by the University, and adjusts the next year's rates accordingly.	<i>(Updated on 12/1/17)</i> FY18 Fringe Benefit Load Rates are available at the webpage to the right. Preliminary FY19 estimates, for the purposes of this exercise, are as follows: 24.2% for faculty, 42.0% for classified staff, 31.4% for professional staff, 31.0% for medical residents & senior fellows, 18.9% for graduate student appointments, 14.2% for post doc trainees, 22.1% for hourly & overtime, and 29.1% for pre doc trainees (graduate stipends). For FY20 and FY21, please assume each of these rates will hold steady. Please note, however, that future rates may vary significantly from these estimates, depending on the outcome of collective bargaining agreements, decisions by the state, and other factors."	Fringe Benefit Load Rates
Compensation - Faculty and Professional Staff	Compensation increases for faculty and professional staff are set by the University and are driven, in large part, by the state's compensation assumptions and compensation funding. The state's 2017-19 operating budget assumed a 2% increase for these positions in FY18, and two 2% increases for these positions in FY19. Unfortunately, however, the state budget only provided approximately one-third of the total funds needed to implement those increases.	In FY18, the UW implemented a 2% merit pool for faculty and professional staff. Assumptions for FY19 onwards are largely contingent on whether the UW receives additional compensation funding from the state. For the purposes of this exercise, assume faculty and professional compensation increases of 2.0% per year in FY19 onward.	OPB Compensation website
Compensation - Classified Staff	Classified staff compensation increases are determined by their collective bargaining agreements (CBAs), which in some cases are subject to approval and funding by the state.	CBAs that are subject to state approval were approved and partially funded by the state for the 2017-19 biennium (FY18 and FY19). The UW Labor Relations website (linked to the right) has details about these CBAs and about other contracts that are not subject to state approval. CBAs for FY20 and FY21 are unknown. For the purposes of this exercise, assume that compensation for classified staff will increase by approximately 2.0% per year in FY20 and FY21.	UW Labor Relations
Faculty and Staff FTE Growth	According to the 2014 UW Economic Impact Report, the UW is one of the top five largest employers in Washington, supporting over 79,000 jobs. Overall, there has been very little increase in total full-time equivalent (FTE) UW employees over the last six years.	For the purposes of this exercise, please assume no FTE growth. If you choose to deviate from this assumption, please describe how and why in the "Alternative Assumptions" tab of the Excel workbook.	

*Your unit received ICR details in the "FY18 ICR Detail Files" that Lisa McDonald disseminated on June 7, 2017. If you need this resent, please contact Lisa McDonald, lisamcd@uw.edu.