

Date: 10/28/2013

Subject: ABB Review Committee Proposals

The Activity Based Budgeting Review Committee has proposals for three different areas concerning Activity Based Budgeting:

- Integration of Summer Quarter into ABB
- Graduate Student Waiver Policy
- Joint Courses/"Withering"

Integration of Summer Quarter into ABB

The committee recommends that Summer Quarter revenues not be integrated into ABB at this point. A more complete consideration of Summer Quarter, its relationship to the regular academic year, and how the management of Summer Quarter can best support the academic mission of the University of Washington will be taking place over the next year or two. Once that discussion has taken place, it will be appropriate to revisit the issue of integrating Summer Quarter revenues into the ABB model.

A Summer Quarter Working group was tasked with an examination of these issues. Their report is attached as an appendix. In the meantime, the committee determined that the financial effect for units of including Summer Quarter into the ABB model will be minimal over the next year or two. In order to keep the system in balance, if Summer Quarter were integrated into ABB, the first year would involve giving units the summer tuition they generate and decreasing their supplement by the same amount (the only other alternative would be to give units summer tuition and increase the tax rate above 30 percent). This means that units would benefit financially from Summer Quarter only if they increased enrollments substantially. As a result, postponing a final decision about integrating Summer Quarter into ABB will not likely have substantial financial consequences for units in the short term.

Graduate Student Waiver Policy

Under the current ABB methodology for attributing tuition revenue to units, the revenue distributed is *net* operating fee revenue. The largest amount of operating revenue foregone is associated with tuition waivers for graduate students who have a TA/RA appointment. The non-resident tuition differential is waived for all non-resident graduate students with a TA/RA appointment. The resident portion of tuition is waived for graduate assistants with a GOF-funded TA/RA appointment; the resident portion of tuition is paid on behalf of graduate assistants funded by a grant or contract by the funding entity.

Although the majority of assistantships are awarded to a student by the unit in which they are enrolled, some units have a number of enrolled graduate students with a TA/RA appointment from another unit. This means, in effect, that the enrolling unit loses the revenue associated with that student's tuition because another unit has given the student an appointment as a TA/RA. The appointing unit has to pay the TA/RA stipend, and that unit receives the benefit of the

student's labor. The unit in which the student is enrolled, however, is the one who loses the student's tuition revenue. This makes it particularly difficult for units with such students to predict the level of tuition revenue they will receive.

One option that has been proposed is to have the appointing department pay the cost of the waiver for each student. This approach would, however, require a fair amount of overhead to manage, and only a few units are strongly affected by this issue. The committee recommends against this approach.

The Committee notes that graduate appointments, regardless of the appointing unit, provide developmental opportunities for graduate students. It recommends that units that are disproportionately affected by waivers associated with TA/RA appointments outside of the unit may request Provost Reinvestment Funds to share the cost of foregone revenue. Alternatively or in addition, units that are disproportionately affected may want to emphasize the foregone revenue as one of their contributions to the UW's interdisciplinary efforts.

Joint Courses/"Withering"

When the ABB methodology was developed, concerns were expressed about how joint courses would be handled when allocating tuition revenue on the basis of SCH. The decision was made to attribute SCH from jointly listed courses to the unit owning the "responsible" curriculum. This works for courses that are always jointly listed and are officially designated as jointly listed in the student information system.

Recent work indicates that joint-listings are far more likely to occur on an ad hoc basis that will not be captured using the ABB methodology. In 2012-13, fewer than 300 SCH were in courses officially designated as joint listings, but 6,600 SCH were taken in courses that were jointly listed on an ad hoc basis. There is no way to designate a responsible curriculum for such ad hoc joint listings, so SCH from those courses will be attributed to the unit associated with the course under which each student enrolls.

It should be noted that less than one-half of a percent of all SCH are involved in either official or ad hoc joint listings. Nevertheless, the committee recommends that:

- The number of SCH associated with joint listings be monitored so that it is known if there are changes in joint listings that are worth noting, and
- ABB documentation be changed to note that:
 - The SCH associated with "official" joint listings will be distributed on the basis of the designated "responsible" curriculum, but SCH associated with ad hoc joint listings will be distributed on the basis of the curriculum under which students enroll,
 - Units involved in an official joint listing can contact the Registrar prior to the quarter to have the responsible curriculum for a course changed (from one course involved in the official joint listing to another), and
 - If units want the SCH to go with the course in which students enroll, they should not seek to make the joint listing official but should keep it as an ad hoc joint.

APPENDIX – SUMMER QUARTER WORKING GROUP REPORT

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RE: Summer Quarter Working group

SUMMARY OF DISCUSSION

This group was tasked with considering (a) the academic implications of a shift of summer quarter to an ABB model; and (b) the potential of shifting to summer quarter as a more regular “fourth quarter.”

GENERAL IMPLICATIONS OF NET REVENUE RETURN

Although we focused on the academic rather than the strictly financial impacts of a shift to ABB, the two proved difficult to separate. In brief, if and where a shift to ABB would significantly change the unit-level incentives (possibly in some of the professional schools, particularly where there is little current summer activity), there could be academic benefits. Where there are minimal changes in incentives (possibly in A&S), benefits are less clear, ranging from little change to new costs potentially even outweighing benefits. Because the ABB model details were beyond the scope of our discussion, we focused generally on the implications of net revenue return in general, either through ABB or some other mechanism. Since the impact on schools could vary significantly, this summary focuses primarily on Arts and Sciences as the largest participant in summer quarter.

Any model, ABB or otherwise, that would return net revenue to departments based on SCH would incentivize curricular changes in the direction of student demand (assuming that incentives were large enough). That is not necessarily an incentive in the current system. A net revenue model **could** move the larger curriculum closer to a four-quarter model, if and where such a model was likely to increase demand. For example, in units with strong course demand by majors, a four-quarter model could increase overall enrollment. In other units, it might move the curriculum away from a four-quarter model (e.g., if there was insufficient demand by majors, and the most likely SCH would come from nonmajors).

Changing summer teaching could require more faculty in some units (or be limited by the lack thereof). That teaching might be done by non-TT faculty, though adding significant numbers of new faculty (particularly non-TT) could impact departmental culture. Again, particular actions would depend on the specific incentives, and because the costs and benefits would differ across units, net revenue could create or exacerbate (or minimize) differences across units.

Finally, a general consequence could be to shift academic (and related budgetary) decisions about summer courses to the domain of colleges and departments in the way that courses taught during the academic year are. Summer quarter curriculum would then evolve through the regular discussions between deans and chairs. For some departments, this might provide more flexibility or efficiency in overall program management.

OTHER INCENTIVE ISSUES

The current system seems relatively stable; units have adapted to the current system in ways that meet local needs. The group discussed several issues beyond curriculum per se, all of which could be influenced (in any direction) by changes in incentives:

1. Administrative costs, particularly student support (particularly but not only advising) of managing SQ. Summer currently serves as project or “down” time for staff; some staff work that cannot be done in the regular academic year is done in summer, and many staff, like faculty, have appointments less than 12 months. Many departments have come to depend on this work. Changes in SQ would likely increase or change staff workload, probably requiring more staff.
2. Budget flexibility, including the ability to cross-subsidize within a program, including across other quarters. There was some interest, if not unanimous, in moving budget oversight to college level. This, however, imposes new costs at college level.
3. Flexibility in managing faculty workload: for example, in allowing faculty to teach in summer as part of load (instead of one of the other three quarters). This seems difficult to implement, and likely limited in practice (for example, it raised some questions of equity across faculty if the ability to utilize this flexibility is differentially distributed, even within a unit), but no one opposed the option on academic grounds, where appropriate for the unit.
4. Other faculty or program support – for example, course development, staff support for programs like internships, field work, SQ certificates, etc.

OTHER ISSUES WITH SUMMER AS A “FOURTH QUARTER”

The general sentiment is that summer quarter is different enough that few could imagine a full transition to summer as a “regular” quarter, given the magnitude of change in faculty and staff appointments, workload, and culture that that would seem to imply. Many departments would find it difficult to change for structural reasons (e.g., lack of faculty); others would simply not find it worth the effort without new (and significant) incentives. The general sense is that any new policy should allow what is working – flexibility, the ability to support graduate students, and so forth – to continue working, while incentivizing any new activity. New activity is not likely to emerge from the current incentive-less system.

On the other hand, no one opposed the option for individual units to move to a four-quarter model, if appropriate for that unit. Some implications of such a model:

1. Research/project work. This presumably goes without saying, but summer is important for faculty research in particular, and for project work by faculty and staff more generally. That needs to be protected.
 2. Individual unit flexibility. No one seemed opposed in principle to the idea of individual units moving to a four-quarter model, if appropriate for those units. But units differ in ability and incentives to implement such a model – for example, in the proportion of faculty on 9- vs. 12-month appointments, or on grant- vs. state-funded lines; on the proportion of graduate vs. undergraduate teaching; or in the proportion of fee-based vs.
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state-based teaching. These are not the only or most important factors; the point is that local conditions vary significantly, and greatly impact what a locally rational four-quarter model would look like in a given unit.

3. Given open registration for summer quarter, the student population differs from the regular academic year. There was some concern about a larger proportion of nonmatriculated students in courses for which they may not have had adequate preparation.
4. Demand. There was also some question about future (and current) demand for SQ. Overall demand for SQ has been relatively stable over the past five years, with student credit hours growing only slightly (mainly UW Bothell and Tacoma), yet the UW SQ ranks as one of the largest amongst public universities.

Summer 2012 Peer Universities	# of Courses Offered (not incl. Independent Study)		
	Undergraduate	Graduate	Total
University of Michigan	222	0	222
UC Berkeley	648	4	652
Boston University	557	114	671
UCLA	829	15	844
Northeastern University	529	478	1007
University of Washington*	1040	266	1306

* Includes courses budgeted under SQ Budget and does NOT include certain schools like the Medical School or fee-based degree programs which use 12 month curriculum/own budget

As long as SQ is **not** a “regular” quarter, we would not expect “regular academic year level” demand, so there is something of a chicken-and-egg problem here. It is conceivable that supply (i.e., a more “regular” curriculum in summer) might be prerequisite to increased demand.

5. More efficient utilization of space. This is a common rationale for a four-quarter model, but current demand does not match the regular academic year, so summer has not, in general, had the same space needs. Indeed, in A&S, class sizes in many units tend to be smaller and more often taught by graduate students – that is, they do not necessarily reflect space or efficiency adjustments, such as lack of large lecture space.