



July 24, 2015

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Dear Colleagues:

I write to provide you with information regarding FY16 Activity Based Budgeting (ABB) and Provost Reinvestment Fund (PRF) allocations. In order to preserve permanent budget authority in executing our highest priority – competitive compensation – please note that many PRF allocations are being provided on a temporary basis unless they directly support critical compliance initiatives.

This correspondence follows last week's letter regarding merit increases, as it explains the allocations that will support part of these compensation expenses. In addition, this letter describes the typical allocations of revenue under the ABB rule set.

Should you have any questions about the ABB and PRF tables linked to this correspondence, contact Sarah Norris Hall at sahall@uw.edu, Carol Diem at cdiem@uw.edu, or Amy Floit at afloit@uw.edu.

Compensation Funding

Last week, after many conversations with academic and administration leadership, I authorized a 3 percent merit increase (2 percent minimum merit, 1 percent additional merit) for faculty in FY16. I have also authorized a 3 percent merit increase for librarians and professional staff. Salary increases for these personnel categories and classified staff are described in detail in a letter at the following location: <http://opb.washington.edu/sites/default/files/opb/Budget/2015-16SalaryAdjustments.pdf>.

Seattle schools and colleges, UW Bothell and UW Tacoma will receive a proportionate share of the state-funded compensation appropriations allocated to the UW. This is described below and included in the ABB table linked to this correspondence. Seattle administrative units will receive an allocation of state and Provost funds for merit increases as well as funding for benefits increases. However, allocations to Seattle administrative units will not fully cover compensation costs generated by the 3 percent adjustment. It is our intention to not provide funds to administrative units for vacant positions. As such, we will be providing central funds to cover 95 percent of the incremental change in permanent GOF/DOF budgeted positions generated from the 3 percent salary increase for faculty, librarians and professional staff. Classified staff are handled separately by the salary module and administrative units will be provided central funds to cover the permanent GOF/DOF budgeted incremental change. Seattle administrative units are encouraged to consider whether employees who have received recent in-grade adjustments, promotions or have been hired since March 31, 2015 should be eligible for an increase. If this policy presents a significant challenge to your unit, please let us know.

Major Components Summarized in the Activity Based Budgeting Allocation Tables

The ABB table provides financial data to highlight specific changes in both tuition revenue and compensation funding. Per normal practice, the table begins with columns A and B showing FY15 GOF/DOF permanent base budget values and the tuition base for each unit. The subsequent columns are captured by category in the sections below.

Tuition Changes

1. Column C shows an adjustment to the tuition base for units. This adjustment is revenue neutral. In other words, an increase in the tuition base captured in column C means a decrease in the historic supplement, captured in column M. Conversely, a decrease in the tuition base would be covered by an increase in the supplement. The major source of this change is the correction of historic under- and over-assignment of student credit hours, degrees and major enrollments to specific schools and colleges. Further detail is provided in the notes to the table, which references the ABB tuition revenue files that will be posted to the OPB website.
2. Column D shows the tuition true-up for FY15.
3. Column E shows the distribution of projected incremental tuition revenue for FY16 that would have occurred *if resident undergraduate tuition rates had remained at 2014-15 levels. We are providing units with additional revenue to compensate for insufficient state supported backfill funds.*
4. Column F shows the lost revenue associated with 2ESSB 5954, which reduces resident undergraduate operating fees by 5 percent. However, we are not passing any loss of revenue onto units, as noted. Column M shows the compensatory backfill amount going into each unit's supplement.
5. Column G shows each unit's final FY16 tuition projection, taking into account the tuition reduction.

Indirect Cost Recovery (ICR) Changes and Miscellaneous Fees

1. Column H shows the FY15 ICR base, followed by the adjustments to ICR allocations shown in column I (current policy). These columns add to column J, total FY16 ICR distribution.
2. Column K incorporates changes to miscellaneous fee budgets, aligning with actual FY14 revenues (in prior years, the budgets were held constant without contemplating changes to revenue). There will be an allocation in FY16 which will 'true-up' miscellaneous fees through FY15.

Supplement Changes

As a reminder, the supplement category is a value that changes as state funds, allocations of Provost Reinvestment Funds and other allocations occur.

Components of the FY16 Supplement are as follows:

1. Column L shows the revised FY15 supplement base. The supplement has been revised since the publication of last year's ABB tables to capture permanent allocations made to units during the year.
2. Column M shows adjustments to unit supplements that offset the changes to revenue presented in column C.
3. Column N shows the backfill for the tuition reduction (the loss associated with the tuition reduction is shown in column F). Note that state funds for this backfill are short by several million dollars. *Though the Provost is able to provide units with extra funding to cover the tuition reduction shortfall resulting from insufficient state funds, we are not currently able to make this same commitment for FY17.*
4. Column O shows permanent PRF allocation figures. Please note that many of the PRF allocations will be funded to units on a temporary basis. This allows permanent funds to be preserved for compensation.
5. Column P reverses benefits-related reductions from FY15, as the 2015 legislature restored the per employee health care contribution to a higher rate. *Note that we are allocating these funds to schools*

and colleges rather than pooling these funds with Provost Reinvestment Funds. Related, please note that higher health care rates have been incorporated into FY16 benefit load rates by UW Financial Management, which are available online at the following location:

<http://f2.washington.edu/fm/fa/sites/default/files/loadrate/FY%202016%20Proposed%20Rates.pdf>.

6. Column Q allocates state funds for salaries to UW Bothell, UW Tacoma and Seattle schools and colleges. These funds are distributed based on each campus's share of the UW's total permanently budgeted GOF salaries.
7. Column R shows each unit's total supplement for FY16.
8. Column S is each unit's new ABB base budget. The ABB changes reflected in this table will be captured in fiscal allocation reports, which will be sent to units during the first part of August. The fiscal allocation reports will itemize allocations by unit, and specify the type of funds to be disbursed (GOF/DOF and permanent or temporary).

An ABB tuition revenue file, including tuition revenue by tuition group, student credit hour distribution, and degree major and major enrollment distribution, is available at the following location:

<http://opb.washington.edu/sites/default/files/opb/Budget/FinalProjectionsFY16.xlsx>.

Finally, on a related note, I am continuing to validate administrative unit carryover spending plans, submitted as part of the FY16 Provost Budget Development cycle. Administrative units should not expect to receive every temporary dollar previously allocated to, or generated by, their unit.

Sincerely,



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

cc Faculty Senate leadership
Unit Administrators
Sarah N. Hall, Assistant Vice Provost, Planning & Budgeting

Attachments are available online:

1. FY16 ABB Table: http://opb.washington.edu/sites/default/files/opb/Budget/FY16_ABB_TABLE.pdf
2. Preliminary Provost Reinvestment Fund Allocation Table:
http://opb.washington.edu/sites/default/files/opb/Budget/FY16_Provost_Reinvestment_Fund_Allocations.pdf