



August 14, 2017

Board of Deans and Chancellors
Vice Presidents and Vice Provosts

Dear Colleagues:

I write to provide you with information regarding fiscal year 2018 (FY18) Activity Based Budgeting (ABB) and Provost Reinvestment Fund (PRF) allocations. As articulated in previous correspondences to campus, President Cauce and I worked hard to make your priorities our priorities, and we continue to prioritize compensation investments for our dedicated faculty and staff. Compensation needs consumed most of the limited new permanent funding, followed by investments in areas of critical compliance, shared services, and essential research and learning activities.

This correspondence provides three critical budget resources for Seattle academic and administrative units, UW Bothell, and UW Tacoma:

1. A reiteration of compensation funding policies and expectations;
2. The FY18 ABB Allocation table, which shows final values for the FY17 tuition true-up, FY18 tuition projections, distributions of state funding, and allocations of incremental funding from Indirect Cost Recovery (ICR); and
3. The Provost Reinvestment Fund Commitment Table, which shows PRF allocations beyond those noted in the ABB table for merit increases. Please note that comprehensive allocation reports from the Office of Planning & Budgeting (OPB) will follow this correspondence.

Should you have any questions about this information, please contact Sarah Norris Hall at sahall@uw.edu, Erin Guthrie at eguthrie@uw.edu, or Becka Johnson Poppe at jbecka@uw.edu.

Compensation Funding

In July, after many conversations with faculty, deans, and administration leadership, I authorized a 2 percent merit increase for eligible and meritorious faculty, librarians, and professional staff. Details regarding execution of this process are available at this location: <http://opb.washington.edu/content/compensation>.

As mentioned previously, President Cauce and I had hoped to be able to combine state resources with internal adjustments to provide merit increases above 2 percent. However, the state operating budget provided only one-third of the funding required to implement a 2 percent increase for faculty and staff paid on state and tuition dollars. The remainder

must be funded through tuition increases and a redeployment of unit and central funds. This leaves very limited funding for raises beyond 2 percent.

State funding appropriated for compensation is being distributed to UW Bothell, UW Seattle, and UW Tacoma to fund salary and benefit increases for their personnel. As we have discussed this year, since I authorized a pool of 2 percent, Seattle academic units will fund their own merit increases. Seattle administrative units will receive allocations for merit and benefits increases.

Lastly, I will be providing Seattle academic units with a pool of funds to use for faculty unit adjustments in 2017-18. These funds will be held centrally until unit adjustment proposals are received by Academic Personnel, considered by the Faculty Senate Committee on Planning and Budgeting and, ultimately, approved by me. The maximum potential allocation for each school/college was calculated based on each unit's per capita share of full tenured professors, given that this faculty rank is the most behind peer compensation averages.

FY18 ABB Allocation Table

The ABB table attached to this correspondence provides financial data in a format similar to last year. Per normal practice, the table begins with columns of data showing the prior GOF and DOF permanent base budgets for each unit and adjustments (e.g. true-ups) to prior base budgets are presented in adjacent columns.

The following columns are new to the ABB table and, therefore, are described in more detail below. For detailed descriptions of other columns, please see the [FY17 distribution memo](#).

- **Column D** adjusts tuition revenue distributions to align with the new ABB tuition parameter and mapping policies, as recommended by the [ABB Phase II Committee](#) and approved in December, 2016. As noted below, Column O shows compensatory changes in units' supplements, which will offset the effects of these policy changes in FY18.
- **Column N** shows state funding associated with an inflation adjustment to the prior resident undergraduate tuition backfill. That amount has been distributed *as if* it is tuition revenue from resident undergraduates (rather than attempting to estimate and distribute the loss experienced by each unit as a result of the reduction).
- **Column O** shows changes in units' supplements to offset the tuition revenue distributions changes (in Column D) associated with new ABB tuition parameter and mapping policies.
- **Column P** "State-Funded Compensation Changes," displays the distribution of state funds for benefits expenses and for salary increases. Note that the legislature provided approximately one-third of the funds necessary to implement a 2 percent merit increase and assumed the UW would cover the remaining costs from local funds. OPB conducted an analysis regarding Seattle schools' and colleges' benefits expenses by account code at the FY18 benefit load rates. Only two Seattle academic

units should incur additional expenses for GOF-funded positions in the relevant account codes; these units will receive a share of state funding for benefits. All other academic units on the Seattle campus should experience less expense in the relevant account codes for GOF positions, but will not see a decrease in current GOF funding levels for benefits.

- **Column Q** “Legislative Directives and Fixed Costs,” shows new permanent proviso funding, which is provided by the state. For more information about these allocations, please see OPB’s [brief](#) on the final 2017-19 state operating budget. In addition, distributions of PRF to cover fixed costs (e.g., water, sewer, power plant, electricity) are consolidated in this column.

If you have questions about this information, you may wish to attend ABB Office Hours, which OPB will hold at 1pm on Thursday, August 17, on floor 12 of the UW Tower.

As noted, at the end of August, fiscal allocation reports will be sent to units, which will show itemized allocations by unit and details regarding the type of funds to be disbursed (GOF or DOF, permanent or temporary).

Additional ABB files for FY18, including tuition revenue by tuition group, student credit hour distribution, and degree major and major enrollment distribution, are available here: <http://opb.washington.edu/data-and-tools-abb-tuition-revenue-and-distribution-calculations>.

FY18 Provost Reinvestment Fund Commitments

Last fall, I initiated the FY18 budget development cycle with clear goals for FY18. Priorities for the coming fiscal year were developed in consultation with academic, student, and administrative leadership and were identified as follows:

- Provide competitive compensation
- Transform administration
- Fund areas of critical compliance
- Invest in the student experience

Our priorities were clear, but influenced by factors external to the UW, including uncertain funding levels from both the state and federal governments; shifting global and national financial markets; and, importantly, local market conditions, including rising regional wages and cost of living. Consequently, new investments were minimal and targeted toward the most critical initiatives and projects. These new investments are displayed in the attached tables, “FY18 PRF Commitments Summary,” by permanent and temporary status.

As noted, for FY18, the bulk of state funds and ABB tax funds are being spent on compensation-related expenses (wages, salaries, and benefits). Permanent funds are being deployed for University-wide expenses related to rising rates of utilities, including water, sewer, and electricity. Other allocations are distributed to critical research and learning investments in UW Libraries, Office of Research, Veterans Services, and Health Sciences Administration. A limited number of additional commitments are being made on a temporary basis.

Thank you for all your work to make the FY18 budget process as collaborative and successful as possible. I look forward to working with you as we begin planning for FY19.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald J. Baldasty". The signature is fluid and cursive, with the first name being the most prominent.

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

Attachments:

FY18 ABB Allocation Table
FY18 Provost Reinvestment Fund Commitment Tables

cc: Sarah N. Hall, Associate Vice Provost, Planning & Budgeting
Faculty Senate
Unit Administrators