Budget Recalibration
Phase 2 Kickoff

July 26, 2017
Agenda and Goals for Today
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> Big Picture:
  • Launch of 3-year Phase-in of Modified RCM Budget Model

> Goals:
  • Gain high level understanding of next steps
  • Understand work of Phase 2 Implementation (P2I) and Process Development and Policy (PDP)

> Agenda
  • Welcome, introductions
  • Review why we are doing this
  • Review FY 18 Operating Budget and RCM impact to Schools
  • Introduce work of P2I and PDP
  • Q&A
Values and Benefits
Core Vision: We are in this together for the future success of UW Bothell

Engagement rules:

- Financial Sustainability
  1. New financial constraints will require different behaviors from all of us.
  2. We will develop balanced School/Unit budgets and monitor them regularly.

- Collaboration
  1. We will continue to be inclusive, collaborative, flexible, open to change and supportive of each other.
  2. We will agree to a common data set/definitions.

- School Support
  1. We will develop ways to incentivize suitable academic values, as identified by the academic Deans.
  2. We will commit to supporting the School goals with the appropriate faculty composition and staffing levels.
  3. We will develop balanced School/Unit budgets and monitor them regularly.
What we are working to achieve

**Guiding Principles:** *Long-term guidance*
- Composition & ratio targets
- Principles to align operations
- Establish success criteria

**Work to do:** *On-going process*
- Training
- Budget templates and review process
- Multi-year planning
- Organizational structure/assessments
- Process improvement

**Funding Allocations:** *Yearly process*
- School vs. Unit split (70/30 for FY18)
- Distribution within schools (e.g. SCH, Completions, etc.)
Review of Work, January – June
JANUARY through JUNE

- 109 total meetings
- 23 Core/Steering members
- Groups providing feedback in addition to CORE and Steering: CET, CCPB, GFO, GSO, ASUWB, CAD
- 1320 total hours or about 33 weeks!
- LEARNED ABOUT: HOW WE DO THINGS NOW, ABB, RCM, Peer Approaches, Summer Quarter, PCE, RCR

- Moving forward on July 1 with implementation of a modified RCM model, to be phased in over three years with lots of support provided
Summary of Process Used

> Charge letter from Chancellor
> Teams – Core and Steering
> Consulting with CAD, Units, CET, Cabinet, CCPB biweekly, etc.
> Learning – current state, UW ABB, EAB
> Recommendations from Core/Steering
> Decisions by CET in mid-June
> Communications from Chancellor and IPB – email, website, forums
> Phase 2 Charge from VCAP on behalf of Chancellor
OVERVIEW: What Did We Do?

- Budget review and refresher
- Current budget model review
- Review Mandatory and Fixed costs
- Highlight alternative budget models (definitions, Pro’s Con’s, etc.)
- Review funding sources and restrictions
- Review Proforma, Budget Assumptions
- Identify and discuss other funding sources (SQ, Fee-Based, RCR)
- Strategic Initiatives at UW Bothell, introduce Operating Imperatives
- EAB presentation on High Education budget models and benchmarking
- Presentation on ABB at UW Seattle with David Maddox
- “Bothell Way” Discussion
- Modified RCM overview and comparison to incremental
- Modified RCM Modeling Scenario review
- RCM house rules discussion
- Carryover and funding for “Buckets”
Decisions Made and Communicated

- Adopted modified Responsibility Centered Management budgeting approach, to be phased in over 3 years
- Phase in beginning July 1
- FY 2017 budget applies as funding base for now, will rebase as appropriate
- Use modified RCM allocation methodology
  - Separate State Appropriation funding from Tuition funding
  - Incremental tuition: % to schools, % to units (i.e. 70/30 allocation of funds, 60/40 SCH-degrees earned)
- Prioritize and fund mandatory costs and prior commitments
  - Pay mandatory costs first (Seattle overhead, leases, utilities)
  - Pay Merit and Benefit rate changes (FY18 for all)
  - Pay other commitments including for Faculty hiring commitments (direct distribution for FY18 only)
- Fund Institutional “Buckets”
  - 10% Reserve & Operating Contingency, Asset Refresh, Investment Funds, Equity
- Implement Institutional Carryover policy of 20% for FY 18
- Assign “point person” to each School/Unit to help with model phase in
FY 18 Operating Highlights
FY2018 Operating Highlights

Enrollment
> Enrollment Projection of 5,230 on campus state-based student FTE represents an increase of 200 FTE

Operating Budget
> FY 18 total Operating Budget: $82,000,000
  • General State funding: $20,600,000
  • Tuition revenue: $57,300,000
  • Other revenue and Building fee revenue: $4,100,000
> Total Compensation: $59M (72% operating budget, includes: salaries & benefits)
> Total Fixed Costs: $11.5M (14% operating budget, includes: Utilities, Rental Property, UW Overhead)
> Total Operating Expenses: $8M (10% of operating budget, includes: all non-compensation unit expenditures)
> New Funding allocations:
  • Total Available funding for Allocation: $3M
  • Schools: $1.9M (Salary & Benefit Adj: $310k, 70% Incremental Tuition: $1.58M)
  • Non-Schools: $1.1M (Salary & Benefit Adj: $440k, 30% Incremental Tuition: $675k)
    > Fixed Costs: $.4M
    > Units: $.7M
FY2018 Operating Highlights (cont.)

Operational cost considerations ($2.4M)

> Fixed Costs (Utilities, Rental Property, UW Overhead): $500,000
> Benefit rate changes increase: $150,000 (overall increase of about 1%)
> Annual salary increase of 3% for Classified staff: $180,000
> Annual merit increase of 2% for Faculty: $500,000
> Annual merit increase of 2% for Professional staff: $260,000
> Faculty hiring of 6.5 FTE Lecturers: $625,000
> Hiring of 2 temporary staff for modified RCM budget implementation support: $200,000 plus benefits

Mission Critical Operating Imperatives ($11M)

> Institutional Reserves increased to $7,500,000 (from $4,000,000 temporary funding in FY17)
  • $6.5M Temporary Funding
  • $1M Permanent Funding
> Mission Critical Operating Imperatives (in addition to Institutional reserves)
  • Facility and Asset Replacement or Refreshes (infrastructure): $1,000,000
  • Investment funds: $2,500,000 (2.25M biennial temporary funding, 250K annual permanent funding)

Carryover Policy

> A Carryover policy will apply to FY 2017 state budget carryover balances in schools and units. Of remaining balances at the division level, 20% of carryover dollars remain at institution level with 80% returning to divisions. Exclusions apply to certain committed carryover balances (includes: Faculty start-ups, collections, equipment replacements). The policy provides about $1,200,000 for Institutional purposes with $4,800,000 for divisions.
RCM Overview: School Perspective

Purpose
Identify FY 2018 budgetary impact of transition to RCM budget model for UW Bothell’s 5 schools and FYPP.

Sources of Funds
UW Bothell is anticipating two incremental sources of permanent funds to support operations for FY 2018: tuition revenue from increased student enrollment and state appropriations to offset a portion of annual salary increases for permanent employees.

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incremental Tuition</td>
<td>$2,600,000</td>
</tr>
<tr>
<td>State Appropriation- Annual Salary Increase</td>
<td>600,000</td>
</tr>
<tr>
<td>Incremental Available Funds</td>
<td>$3,200,000</td>
</tr>
</tbody>
</table>

Based on the RCM model, allocations between the units and schools are reflected in the below table.

<table>
<thead>
<tr>
<th>Allocation of Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCM Implementation Positions</td>
<td>$200,000</td>
</tr>
<tr>
<td>Benefit Rate Adjustments</td>
<td>150,000</td>
</tr>
<tr>
<td>Schools</td>
<td>(50,000)</td>
</tr>
<tr>
<td>Units</td>
<td>200,000</td>
</tr>
<tr>
<td>State Supported Annual Salary Increase*</td>
<td>600,000</td>
</tr>
<tr>
<td>Schools (60%)</td>
<td>360,000</td>
</tr>
<tr>
<td>Units (40%)</td>
<td>240,000</td>
</tr>
<tr>
<td>RCM Allocated Funds</td>
<td>2,250,000</td>
</tr>
<tr>
<td>Schools (70%)</td>
<td>1,575,000</td>
</tr>
<tr>
<td>Units (30%)</td>
<td>675,000</td>
</tr>
<tr>
<td>Total</td>
<td>$3,200,000</td>
</tr>
<tr>
<td>Allocation to Schools</td>
<td>$1,935,000</td>
</tr>
<tr>
<td>Allocation to Units</td>
<td>1,065,000</td>
</tr>
<tr>
<td>RCM Implementation Positions (3 year, term limited, temporary)</td>
<td>200,000</td>
</tr>
<tr>
<td>Total</td>
<td>$3,200,000</td>
</tr>
</tbody>
</table>

\*Split based on proportional impact of annual salary increases and associated benefit funding
Use of Allocations within Schools

Based on allocations to the schools, the impact of annual salary increases and promotions, and previously committed faculty hiring plan, schools are projected to have approximately $369K of uncommitted funds available in FY 2018.

<table>
<thead>
<tr>
<th>Uses of Allocations to Schools (could be allocated directly to Schools or pooled for CAD decision making)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation</td>
<td>$1,935,000</td>
</tr>
<tr>
<td>Less, Annual Salary Increase^2</td>
<td>690,000</td>
</tr>
<tr>
<td>Less, Faculty Hiring Plan</td>
<td>625,000</td>
</tr>
<tr>
<td><strong>Uncommitted Funds</strong></td>
<td>620,000</td>
</tr>
</tbody>
</table>

^2 Assumes 2% annual salary increase
Assumptions

> “Annual Salary Increase” is assumed to be 2%, though the annual percentage increase has not been finalized by UW.
> Cost of annual salary increase to schools includes permanent transfer of $2.1M of permanent funding from the Office of Academic Affairs to the schools to support part-time faculty.
> Costs of “Annual Salary Increase” and “Faculty Hiring Plan” include associated benefit funding requirements.
> Funding for “State Appropriation- Annual Salary Increase” being allocated to UW Bothell is a projection, and subject to change.
> 70/30 split of “RCM Allocated Funds” is based on incremental tuition of $2.6M, less $200K for two RCM implementation positions and less $150K “Benefit Rate Adjustments”.
> “Benefit Rate Adjustments” reflect the funding need based on the change in fringe benefit load rates for employee classifications in FY 2018.

Notes

> “Uncommitted Funds” is defined as the net of new permanent funding being allocated to the 5 schools and FYPP, in aggregate, less the projected funding requirements for FY 2018 annual salary increase, FY 2018 benefit load rate changes, and FY 2018 new faculty hires. “Uncommitted Funds” does not account for any funding claims outside of the above list or future salary increases, benefit rate changes or faculty hires.
> No allocations from the $2.5m centrally held investment fund have been made.
FY 18 Phase In Work: Process Development & Policy (PDP) and Phase 2 Implementation (P2I) Teams
PDP Membership

Beth Beam, Assistant Vice Chancellor, Organizational Excellence & Human Resources
Bruce Burgett, Dean, Interdisciplinary Arts and Sciences
Casey Mann, Past Chair, General Faculty Organization
Christian Adams, Chair, General Staff Organization
Cinnamon Hillyard, Associate Dean, Interdisciplinary Arts and Sciences; Interim Director, First Year Programs
Claire Fraczek, Director, Integrated Learning
Dom Juarez, President, ASUWB
Ed Buendia, Dean, Educational Studies
Elaine Scott, Dean, Science, Technology, Engineering, and Mathematics
Emily Christian, Interim Dean of Student Affairs
Gowri Shankar, Associate Professor, Business
Jonathan Cluts, Director, Strategic Initiatives
Kendra Yoshimoto, Director, Fiscal & Audit Services
Phil Akers, Vice Chancellor, Advancement and External Relations
Ruth Johnston, Vice Chancellor, Administration and Planning, co-chair
Sandeep Krishnamurthy, Dean, Business, co-chair
Sarah Leadley, Director, UW Bothell and Cascadia College Library, and Associate Dean, University Libraries
Shari Dworkin, Dean, Nursing and Health Studies
Susan Jeffords, Vice Chancellor, Academic Affairs
PDP Fall Goals

> Develop Collaboration Values
> Agree to targets (Delaware Study, staff and any others) and timeline to achieve them

> PDP meets Monthly
> Co-led by Sandeep and Ruth
P2I Membership

Amy Stutesman, Administrator, UW Bothell and Cascadia College Library
Bill Humphreys, Administrator, Interdisciplinary Arts and Sciences
Christine Howard, Administrator, Science, Technology, Engineering, and Mathematics
Marci Myers, Fiscal Specialist Supervisor, Business
Rita Johnson, Administrator, Nursing
Russell Cannon, Director, Institutional Research, co-chair
Sara Ali, Director, Academic Transition Program, First Year and Pre-major Program
Segan Jobe, Senior Director, Institutional Planning and Budget, co-chair
Jenny Albrecht, Manager, Fiscal and Audit Services
Steve Syverson, Assistant Vice Chancellor, Enrollment Management
Toni Hartsfield, Program Manager, Educational Studies
TBD, Financial Analyst, Advancement
P2I Fall Goals

> Agree to budget template
> Recommend allocation rate between Schools and Units
  • FY2018: 70/30 allocation of funds (School/Unit)
> Recommend enrollment measures (e.g. SCH and degree completions or majors), including how they are counted and weighted
  • FY2018: 60/40 SCH-degrees earned
> Review and analyze current state, identifying decision points and benchmarks
> Identify and develop appropriate skills, tools, processes to support Modified RCM

> P2I meets every other week
> Co-led by Segan and Russ
Expectations for All

> Attend scheduled meeting (as much as feasible)
> Members are representatives of their varying constituencies. This means connecting those constituencies to this work by: a) sharing activities and announcements; b) gathering feedback to bring to your team and c) if you must miss a meeting, taking responsibility to learn what occurred and share it. (adapted from CE Council policies)
> Attending quarterly joint meetings
> Providing feedback to team co-chairs about needs, concerns, ideas, etc.
> Have fun!
Getting the Budget Recalibration Work Done (draft)

1. Communicate
2. Implement
3. Assess
Stay Tuned! Project Plan with Timeline to Come

> FY 18 goals and deliverables
> FY 19 goals and deliverables
> FY 20 goals and deliverables

These will be built by teams and through additional input from community.
Discussion
Thank you!

All materials can be found on the IPB site: https://www.uwb.edu/administration-planning/planning-budget/budget-recalibration