<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
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<tbody>
<tr>
<td>2:00 PM</td>
<td>Welcome &amp; Updates</td>
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<tr>
<td></td>
<td>− Steering Feedback</td>
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<tr>
<td></td>
<td>− EAB Interviews</td>
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<tr>
<td>2:10 PM</td>
<td>RCM Lite Model Overview</td>
</tr>
<tr>
<td>2:25 PM</td>
<td>Incremental Budget Model Overview</td>
</tr>
<tr>
<td>2:35 PM</td>
<td>Revisiting Current Budget Model</td>
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<tr>
<td></td>
<td>− Review Mandatory Costs</td>
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<tr>
<td>2:40 PM</td>
<td>Modelling Scenarios</td>
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<tr>
<td>3:10 PM</td>
<td>Discussion</td>
</tr>
<tr>
<td>3:25 PM</td>
<td>Messaging for Today</td>
</tr>
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</table>
Work to Date & Coming Events

- CET making progress on budget parameters

Coming:
- CET, April 11th
- Extended Cabinet, April 17th
- Town Hall, April 18th
- Core, April 24th
Suggested Ground Rules

- Begin and end on time
- Work for the good of all of UW Bothell
- No sacred cows, be open to new ideas and ways of doing things
- Share the floor and allow for all voices
- Be honest and respectful
- Listen
- Support the work in/outside meetings
- Ask for clarity when needed
- Come prepared and having completed any agreed to work

- Be positive; change is hard!
- Be results/solutions focused
- Free yourself from distraction (e.g. phone, email)
- If you miss all/some of meetings, be responsible to find out what you missed
- Agree to messages to communicate out at end of meetings
Town Hall Feedback: Decision Criteria on Funding Allocations

- Student focus, including financial aid
- Aligned with Mission and values (identity) aligned
- Use the strategic plan, be strategic
  - Transformational learning
  - Access to excellence
  - Learning and working environment
  - Collective success and happiness
  - Equity
- Required vs. good
- Supports current faculty and staff
- Invest in what we have already (like equipment, infrastructure, mandatory costs, and review for appropriateness/cost); honor commitments
- Equity lens (e.g. parking for students lower than staff/faculty)
- Must consider fiscal reality and political climate
- Provides measurable benefit
- Is it necessary?
- Can it be delayed?
- What is the impact?
- How many people/jobs does it affect?
- Are there other revenue streams that could be used?
- Would partial funding help?
- Could this be seed money?
- Make wise investments that could reduce costs later
- What are priority criteria for Steering Committee? (choose 5 – 8)
Steering Feedback: Decision Criteria on Funding Allocations

- Student focus (is financial aid a part of this)?*
- Required – means?*
- Mission and vision: 1st step to a strategic plan that’s actionable*
- Need to review what we’re doing and make decisions for go-forward*
- Measurable impact/accountability clear*
- Faculty: where they the same or different from students
- No more underfunded programs; need fully-baked with a plan (is it good for Bothell; currently no review process)
- Research or teaching institution or both
- Invest in what’s working now
- Don’t chase shiny objects
- Make wise investments now for later strategically
- Consider timing, equity
Mission Critical Operating Imperatives:

Funding necessary for operations and contingent needs of the institution to address opportunities and challenges

- Campus Reserves
- Strategic Initiatives
- Equity Contributions
- Facilities/Equipment, Asset Replacements/Refreshes
- Financial Aid
RCM Lite Overview
Classic RCM Definition

“Responsibility Center Management (RCM) is perhaps closer to a management philosophy than a budgeting strategy. It is designed to support the achievement of academic priorities within an institution, and allows for a budget which closely follows those priorities. Requires units to manage their own budgets.”

Pros
- Forces individual units to be entrepreneurial, and induces deans to pursue new revenue sources.

Cons
- RCM promotes competition which could cause deans to resort to inefficient measures to prevent students from enrolling in courses in other schools. It can lead to all kinds of perverse incentives.
“RCM Lite”

“RCM” Concepts Supported:
- Encourage Entrepreneurial activity to earn revenue growth
- Create more School level autonomy
- Create more School level accountability
- Transparency in budgeting
- Support multi-year planning

“Lite” Concepts Created:
- Minimize RCM adoption pain points
- Institutional support for common activities
- Direct funding for institutional operating imperatives
Incremental Budget Model Overview
Incremental Budget Model Definition

“Incremental budgeting is a cost-based approach based on historical costs. Incremental amounts are added for items such as inflation, program improvements, hiring, & capital investments, etc.”

Pro’s
- Relatively quick and easy to prepare
- Relatively easy to understand
- Simple to track budget variances

Con’s
- Budget proposals and allocations based on prior year budget
- Does not provide sufficient transparency
- Assumes all current activities and costs are still needed
- Allows for potential inefficiencies, inertia and slack
Incremental Budget Model – Uses

- **Potential Uses**
  - Distribution of funds for fixed costs
    - E.g. Utilities, Rentals, UW overhead
  - Distribution of funds for existing service levels with known cost escalators
    - E.g. Fiscal, Facilities, Budget, IT, etc.
  - Institutional level funding imperatives
    - E.g. Equity, Institutional strategic initiatives etc.

- **Best Application - Mandatory Costs**
Current Budget Model Overview
# Current FY 2017 Budget

<table>
<thead>
<tr>
<th>CURRENT</th>
<th>BUDGET FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUNDING SOURCES</strong></td>
<td></td>
</tr>
<tr>
<td>TUITION</td>
<td>49,758,858</td>
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<tr>
<td>STATE APPROPRIATION</td>
<td>20,619,654</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>70,378,512</strong></td>
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<tr>
<td><strong>INSTITUTIONAL ALLOCATIONS</strong></td>
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</tr>
<tr>
<td>CENTRAL</td>
<td></td>
</tr>
<tr>
<td>FIXED COSTS</td>
<td>10,097,367</td>
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<tr>
<td>NON-ACADEMIC UNITS</td>
<td></td>
</tr>
<tr>
<td>ACADEMIC AFFAIRS</td>
<td>17,316,603</td>
</tr>
<tr>
<td>ADMIN &amp; PLANNING</td>
<td>7,496,180</td>
</tr>
<tr>
<td>ADVANCEMENT</td>
<td>2,175,675</td>
</tr>
<tr>
<td>CHANCELLOR’S OFFICE</td>
<td>1,164,813</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>38,250,638</strong> 54%</td>
</tr>
<tr>
<td>ACADEMIC UNITS</td>
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</tr>
<tr>
<td>SCHOOL OF BUSINESS</td>
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</tr>
<tr>
<td>SCHOOL OF EDUCATIONAL STUDIES</td>
<td>2,443,303</td>
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<tr>
<td>FIRST YEAR PRE-MAJOR PROGRAM</td>
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<tr>
<td>NURSING &amp; HEALTH STUDIES</td>
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<tr>
<td>INTERDISCIPLINARY ARTS &amp; SCIENCES</td>
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<td>SCHOOL OF STEM</td>
<td>10,497,412</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>32,988,061</strong> 47%</td>
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## Mandatory Costs Revisited

<table>
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<th>CENTRAL</th>
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<tbody>
<tr>
<td>ACADEMIC AFFAIRS</td>
<td>17,316,603</td>
</tr>
<tr>
<td>ACADEMIC AFFAIRS NON-SCHOOLS</td>
<td>7,098,932</td>
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<tr>
<td>LIBRARY</td>
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<tr>
<td>INFORMATION TECHNOLOGY</td>
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<tr>
<td>ENROLLMENT MGMT/STUDENT AFFAIRS</td>
<td>4,064,803</td>
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<tr>
<td>ADMIN &amp; PLANNING</td>
<td>7,496,180</td>
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<td><strong>TOTAL</strong></td>
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- For this conversation....
  - Mandatory Costs are all Non-Academic Unit Operating budget Activities
  - Mandatory Costs are not subject to RCM modeling
  - All yearly incremental costs (Merit, cost of goods/services increases, etc.) allocated with incremental budget model
  - Assumes all services remain
Modelling Scenarios
### FIRST STEP – Modeling Method (year 1)

#### METHOD 1  
(FY17)*

1. Total Funding Sources: $70m  
2. Remove Mandatory Costs: $38m  
3. Remove “Bucket” Funding: $0m  
4. RCM allocation pool: $32m  

#### METHOD 2  
(FY17)*

1. Tuition Funding: $50m  
2. Apply RCM Overhead: $18m  
3. RCM allocations: $32m  
4. Combine Overhead: $18m  
   & State Appropriations: $20m  
5. Mandatory Costs funding: $38m  
6. Remaining “Bucket” Funding: $0m  

*Based on original Fiscal Year 17 budget prior to any operational changes developed through budget recalibration work to-date or anticipated true-up from updated enrollment projections.
## FIRST STEP – Modeling Method (year 2)

### METHOD 1  
(FY18)

1. Total Funding Sources: $78m  
2. Remove Mandatory Costs: $39m  
3. Remove “Bucket” Funding: $4m  
4. RCM allocation pool: $35m

### METHOD 2  
(FY18)

1. Tuition Funding: $58m  
2. Apply RCM Overhead: $20m  
3. RCM allocations: $38m  
4. Combine Overhead: $20m  
5. Mandatory Costs funding: $39m  
6. Remaining “Bucket” Funding: $1m
SECOND STEP – Incremental Funds

- **RCM**
  Revenue generating units receive all incremental revenue less applied predetermined overhead rate
  - **Impacts**
    - Revenue producing units have most incentive to grow and most autonomy
    - Creates highly competitive environment
    - Institutional level support units have limited access to incremental funds

- **RCM “lite”**
  Leverage incremental funds to support Institutional priorities and operating units
  - **Impacts**
    - Prioritizes Institutional needs
    - Minimizes swings in operational budget funding based
    - Limits revenue producing unit incentives and autonomy

- **AT WHAT LEVEL & HOW SHOULD “LITE” BE APPLIED??**
Discussion
Core Next Steps
Messaging for Today