Welcome & Updates

Revisiting Mandatory Operating Imperatives & RCM Feedback

Utilization of Other Sources

Assumptions

Discussion & Next Steps

Messaging for Today
Work to Date & Coming Events

Coming:
- Steering, May 17
- Ruth vacation, May 18 – June 6
Mandatory Operating Imperatives & RCM Feedback
Mission Critical Operating Imperatives

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

- Campus Reserves
- Equity Contributions (for residence hall/dining)
- Facilities, Equipment, Asset Replacements, Refreshes
- Financial Aid
- Strategic Initiatives
Stakeholder Feedback

1. Pursue Modified RCM budget model
   a) Support Transparency, Autonomy & Accountability
   b) Encourage Dean level innovations
   c) Minimize RCM adoption pain points
   d) Understand Pros & Cons of Operationalizing RCM
   e) Modified approach:
      ➢ Modified RCM formula for Instructional Units
      ➢ Modified Incremental budgeting for Non-Instructional Units and Fixed costs

2. Funding of Mission Critical Operating Imperatives is a priority
   a) Both permanent and temporary funds
   b) Funding accessible to entire institution where possible for strategic investment

3. Create transparent decision making process informed through shared governance

4. Create list of Institutional Services (fiscal, facilities, advising, IT, Libraries, student services, etc.)

5. Phase in the model over three years
Draft Modified RCM Model

Based on the feedback and commitment from stakeholders, we are adopting a Modified RCM model adapted to best fit the priorities and institutional needs. Review and adjustments to the model will occur regularly.

- Key structure of current model
  - Separate tuition funding from state appropriations
    - Tuition driven by enrollment or tuition increases
    - State appropriations either fixed, or earmarked for particular purposes
  - Retain true up dollars (permanent and temporary) at institutional level
  - Define and fund Institutional Allocations
    - Fixed Costs = Overhead
    - Non-Instructional Units = Services
  - Prioritize contributions to “Bucket” Funding when needed
  - Set Baseline funding on budgeted FY 2017
  - Apply Modified RCM formula to incremental tuition revenue
  - Develop a carry over policy/approach
  - Provide temporary financial and organizational excellence help for transition
Benefits for Schools (Instructional) and Units (Non-Instructional)

- Transparency
- Local level accountability and decision making
- Improved operational management at local level
- Requires advance planning/budgeting with full costing for how best to operate and create new programs/activities
- More strategic
- Have real budgets (revenue and expenditures put into spending categories) with reviews
- Live within means
- With prior/current model, we rise and sink collectively; new model adds autonomy and accountability
- Structure/organization complexity varies from school to school and unit to unit, making it difficult for some to manage most effectively under current budget model
- Benefit to faculty and staff who ask “why” to funding allocations, decisions made, etc.
- Decisions can be made at the local level regarding staffing, structure, dollars, strategies, etc.
- Informed through shared governance model at the School level
- Less day to day control by VCs
Work continuing in FY 18 and beyond

- Create Implementation Working Group
- Begin implementation July 1
- Field and incorporate feedback, regular review and evaluation
- Develop School/Unit budgeting and review processes
- Work on “whole” UW Bothell budget process (beyond state/tuition $ - e.g. summer, PCE, RCR)
- Tweak model as needed
- Develop strategic initiatives process (based on VCAA approach)
- Create process for governance structure and decision making in Schools
- Determine what we want the “Bothell Way” to be
- Prepare for 2020 strategic planning alignment with budget
- And more...
Utilization of Other Sources
Funding Mission Critical Operating Imperatives

- Location of Funds: Within the university, where do the funds reside?
- Source of Funds: What funding sources do we utilize?
- Some items require **Permanent** funding, while some require **Temporary** funding
  - Permanent funds can be funded through incremental new allocations or from reallocation of existing resources
  - Temporary funds that are utilized require a process to replenish the funds
Mission Critical Operating Imperatives – TARGETS

"BUCKET" FUNDING TARGET

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<th>DESCRIPTION</th>
<th>TARGET</th>
<th>CURRENT</th>
<th>NEED</th>
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<tr>
<td>FACILITIES/EQUIPMENT, ASSET REPLACEMENT/REFRESSES</td>
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<td>STRATEGIC INITIATIVES</td>
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<td>EQUITY CONTRIBUTION</td>
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<td>FINANCIAL AID CONTINGENCY</td>
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<tr>
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<th>FUNDING SOURCES</th>
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<tr>
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<tr>
<td>2 - SUMMER QUARTER FUNDING</td>
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### CARRYOVER

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<th>TYPE</th>
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<td>5 - NON-INSTRUCTIONAL UNIT CARRYOVER</td>
<td>3,800,000</td>
<td>TEMPORARY</td>
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<td>6 - INSTRUCTIONAL UNIT CARRYOVER</td>
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| TOTAL                                                   | 12,800,000 | -          |
"BUCKET FUNDING" PROPOSED FOR FY 18

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<td>FACILITIES/EQUIPMENT, ASSET REPLACEMENT/REFRESHES</td>
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<td>STRATEGIC INITIATIVES</td>
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<td>FINANCIAL AID CONTINGENCY</td>
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<tr>
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## Mission Critical Operating Imperatives – FY18

### "BUCKET" FUNDING SUMMARY

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<th>DESCRIPTION</th>
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<th>PERMANENT</th>
<th>TARGET</th>
<th>FY18 TOTAL</th>
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<td><strong>CAMPUS RESERVES</strong></td>
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<td>General Reserve</td>
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<tr>
<td>Enrollment Shortfall Contingencies</td>
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<td><strong>TOTAL</strong></td>
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<tr>
<td><strong>MISSION CRITICAL OPERATING IMPERATIVES</strong></td>
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<td></td>
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<tr>
<td>Facilities/Equipment, Asset Replace/Refreshes</td>
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<tr>
<td>Strategic Initiatives</td>
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<tr>
<td>Equity Contribution</td>
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<td>Financial Aid Contingency</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>9,500,000</td>
<td>3,500,000</td>
<td></td>
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Assumptions
Non-Instructional Carryover Key Assumptions

Policy Structure

- Funding requirements determine amount needed for centrally retained carryover
  - Possible funding requirements:
    - Setting “Bucket” funding levels
    - Refilling of “Buckets” at Biennium turns
    - Significant new Institutional level initiative/project
  - Level of funding for initiatives/buckets agreed prior to each Biennium close
- Any retention of Unit generated carryover centrally is considered a last resort to meet funding needs
- Any Central Retention amount would be evenly pulled from unit level carryover balance based on % of total non-instructional
  - Unless VC level agreement in place to supersede calculation
- Instructional Units assumed not to be subject to Carryover policy
  - Unless agreement in place for specific new initiative/project between school/s and institution
  - VCAA and instructional units may agree to share contribution expectations
Non-Instructional Carryover – Additional Assumptions

General
- The institution grants the authority to local unit leaders to impose additional carryover policies at their local levels.
- Divisional leadership reserves the right to impose divisional or lower carryover policies.

Mechanics
- Carryover funding distributed less contribution once per biennium to unit.
- Unit leadership determines how Central carryover contribution obligation is met and how carryover balance is distributed.
Funding Mission Critical Operating Imperatives

CASE FOR CARRYOVER - GAIN SHARING
% of Carryover to Units

<table>
<thead>
<tr>
<th>0%</th>
<th>25%</th>
<th>50%</th>
<th>75%</th>
<th>100%</th>
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</thead>
</table>

All Carryover held Central:

**Pros:**
- Supports Institutional needs

**Cons:**
- Limits Unit flexibility and independence
- Encourages unnecessary spending at end of Year

All Carryover retained with Units:

**Pros:**
- Full unit control of budgeted funds

**Cons:**
- Does not support Inst. needs
- Encourages excess resource savings at unit level

IDEAL RANGE

For benchmarking purposes
## Carryover Contributions

<table>
<thead>
<tr>
<th>FUNDING SOURCES</th>
<th>AMOUNT</th>
<th>USES - BUCKET FUNDING</th>
<th>REMAINING</th>
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<tbody>
<tr>
<td>1 - PERMANENT TRUE-UP FUNDING</td>
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<td>1,000,000</td>
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<td><strong>CARRYOVER</strong></td>
<td><strong>3,000,000</strong></td>
<td><strong>3,000,000</strong></td>
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<tr>
<td>3 - OTHER CARRYOVER</td>
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<td>2,700,000</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td><strong>7,000,000</strong></td>
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## Carryover Contributions – Operating Units

### Carryover Contribution by Unit

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<tr>
<th>UNIT</th>
<th>CARRYOVER</th>
<th>SHARE</th>
<th>PROJ CARRYOVER</th>
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<tbody>
<tr>
<td>INSTRUCTIONAL UNIT</td>
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<tr>
<td>VCAA</td>
<td>2,250,000</td>
<td>(418,000)</td>
<td>1,832,000</td>
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<tr>
<td>VCAP</td>
<td>600,000</td>
<td>(115,000)</td>
<td>485,000</td>
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<tr>
<td>VCAER</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CHANCELLOR</td>
<td>900,000</td>
<td>(167,000)</td>
<td>733,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6,500,000</strong></td>
<td><strong>(700,000)</strong></td>
<td><strong>5,800,000</strong></td>
</tr>
</tbody>
</table>

*Note: Given these figures, tax on VCAA, VCAP & Chancellor units would be about 20%*
**Carryover Summary**

**Unit Carryover**
- Used Centrally only to fund items for Institutional common good (i.e. “Buckets”)
- If other source of carryover sufficient to support Institutional needs, all carryover may remain with units
- Contributions calculated at Division level
  - Meaning no “tax” of individual budgets or already earmarked/committed funding

**Non-Instructional Units**
- Carryover distributions determined at Division level
- Assumed to structure Carryover coverage independently

**Instructional Units**
- To create sufficient budget planning and autonomy, School carryover assumed not be a contributor to Institutional level funding requirements
Discussion & Next Steps
General Next Steps

- Stakeholders and CET agree to basic model
- IPB staff work on modeling while Ruth on vacation (May 18 – June 6)
- Core and Steering continue to meet (hiatus during Ruth’s vacation) through June to refine model
- Cabinet final review for phase 1 implementation on June 15, 3 – 4:30
- CET continue to review updates to model, with final approval before June 20
- Begin meeting with Deans and Administrators to review specifics of the budget model in June (dates identified)
- Begin Phase 1 implementation on July 1
- Support transition through temporary fiscal and organizational support
- Identify implementation working group
- Simultaneously, to finalize the actual budget model, keep working on:
  - Faculty metrics
  - Staff benchmarking
  - Enrollment actuals for FY 18
  - Agree to institutional level services and how to measure effectiveness
  - Allocation methodology for Fee based programs, Summer Quarter, RCR, Carryover policy, etc.