Budget Recalibration
Core and Steering Committees

6.9.17
Welcome & Updates
Today through July 1
Planning for phase 1 implementation rollout
Discussion & Next Steps
Messaging for Today
# Budget Recalibration Groups

## Budget Recalibration Represented Units

<table>
<thead>
<tr>
<th>Steering Committee</th>
<th>Core Team</th>
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<tbody>
<tr>
<td>Administration &amp; Planning</td>
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<tr>
<td>Academic Affairs</td>
<td>Institutional Planning &amp; Budget</td>
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<td>Advancement &amp; External Relations</td>
<td>Institutional Research</td>
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<td>Council of Academic Deans</td>
<td>Facilities Services</td>
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<td>Associated Students of the UW Bothell</td>
<td>Library &amp; Information Technologies</td>
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<td>Institutional Planning &amp; Budget</td>
<td>Campus Council on Planning &amp; Budget</td>
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<td>Fiscal &amp; Audit Services</td>
<td>School Administration</td>
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<td>Enrollment Management</td>
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<td>Office of Research</td>
<td>General Staff Organization</td>
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<td>General Faculty Organization</td>
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Activity Through June 30

> June 12 – CET
> June 14, 26, 27 – meetings with deans/admins
> June 15 – CAD, Cabinet
> June 19 - CORE
> June 20 – last Steering, CET
> June 21 – call with Ron Yanosky, EAB
> June 26 – last CORE
> July 1 – begin phase one implementation
Current State
### Stakeholder Endorsements

<table>
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<th><strong>Modified RCM Endorsements to Keep Planning</strong></th>
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<td>Chancellor’s Executive Team</td>
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<tr>
<td>Campus Council on Planning &amp; Budget</td>
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<tr>
<td>Budget Recalibration Steering Committee</td>
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<td>Budget Recalibration Core Team Committee</td>
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<td>Cabinet</td>
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<th><strong>Endorsement of a Carryover Policy</strong></th>
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<td>Chancellor?</td>
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<td>CET?</td>
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High level concepts and Elements of the Model

1. Phase in the model over three years
2. Implement Modified RCM budget model for use in Schools; cover costs for support units via a % ratio
3. Fund Mission Critical Operating Imperatives, including fixed costs
4. Fund buckets for future needs (reserve, aid, investments)
5. Create transparent decision making process, informed through shared governance and implementation team/communications plan
6. Develop a carryover policy/approach

Key Elements of the Model:
- Separate tuition funding from state appropriations
- Retain true-up dollars (permanent and temporary) at institutional level
- Define Institutional Allocations (Separate Fixed Costs from Non-Inst. unit Costs)
- Prioritize contributions to “Bucket” funding
  - Equity Contributions (for residence hall/dining)
  - Facilities, Equipment, Asset Replacements, Refreshes
  - Financial Aid
  - Re-investment pool (aka strategic initiatives)
- Set Baseline funding on budgeted FY 2017
- Apply Modified RCM to incremental tuition revenue
Discussion

> This is still high level (OK!), and given a phase in with lots of support, what do you see as

+++ (good ideas, works)
+ (concerns)
? (questions)

➢ Generate a list with your group, prepare to report out highlights, and turn in sheets.
Group Feedback

**Good Ideas, Works (++)**
- Good ideas/What is working
- FY17 base (“hold harmless” approach) – helps buffer RCMness
- Splitting State funds from tuition revenues
- House Rules/”rules of road” – setting expectations
- Autonomy for schools
- More transparency and increase accountability
- Shift to revenue-generating mindset
- Shows interconnectivity of all we do

**Concerns (+)**
- Decision making points, levers
- Majors, degrees, new programs
- How will non-institutional units function – same or different?
- Strategic initiatives – should it be designated to get to 20:1 instead
- How to deal with accountability
- Institution level commitment – if don’t understand fully, how to deal with culture issues
- “Hold harmless” baseline – is it harmless given different costs in schools? how to react to incentives?
- Incentives for non-schools?
- Being prepared for fiscal management
- Risks to UW Bothell
- Data matching – alignment

**Questions (?)**
- How to migrate to local level management for variable costs?
- How will non-schools operate?
- What change management is needed?
- What is safety valve i.e. reallocation and in what cases?
- What will be the strategic initiative process?
- What does this mean for alignment with strategic priorities with pause?
- How incentivize behavior?
- What is mechanism to rebalance as institutional priority?
- How might subvention work?
- What is governance process?
Endorsement: Modified RCM

1. Pursue Modified RCM budget model

CONCEPTS
- Support Transparency, Autonomy & Accountability
- Encourage Dean level innovations
- Minimize RCM adoption pain points
- Understand Pros & Cons of Operationalizing RCM
- Modified approach:
  - Modified RCM formula for Instructional Units
  - Modified Incremental budgeting for Non-Instructional Units and Fixed costs

DECISIONS
- Separate tuition funding from state appropriations
- Retain true-up dollars (permanent and temporary) at institutional level
- Define Institutional Allocations (Separate Fixed Costs from Non-Inst. unit Costs)
- Prioritize contributions to “Bucket” funding Campus Reserves
- Set Baseline funding on budgeted FY 2017
- Apply Modified RCM to incremental tuition revenue
Endorsement: Fund “Buckets”

2. Funding of Mission Critical Operating Imperatives is a priority (“Buckets”)

SOURCES
a) Both permanent and temporary funds
   ▪ Tuition True-Up
   ▪ Summer Quarter (Central)
   ▪ Carryover

USES
b) 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
   ▪ Re-investment pool (aka strategic initiatives)
Endorsement: Transparency & Shared Governance

3. Create transparent decision making process informed through shared governance
   a) RCM components public
   b) Regular review and communication essential
   c) ...
Phase-in Approach

FY 2018
a) Ease in to Modified RCM through FY 2018
   ▪ No-harm approach
   ▪ Institutional support of mandatory costs (merit, benefit rate adjustments)
b) Create Implementation Oversight Team
c) Substantial time and resource investment to operationalize Model
   ▪ 2 new temporary implementation related positions
   ▪ Regular meetings with Units and Schools
d) Create budget development and review process

FUTURE
a) Formalize decision points (Incremental allocation split %’s, RCM formula distributions, etc.), and evaluation practices
b) Establish yearly budget timeline
c) Adjustments to model assumed, review annually with lead time for any changes
Discussion

> To make this change and do it well, what will you/your school or unit need?

> Consider communications, open forums, teamwork, training, support, tools, etc. Be as specific as you can.

> Records, report out, hand in

> And...who should be on the implementation/oversight team? Names please:
Group Feedback

Needs
- Forecasting & analysis tools
- Training/Skills development
- Data and data sharing
- Understanding of connection between units, i.e. IPB and units
- Budget template(s)
- Clear expectations/standards
- Definitions – common and how to operationalize
- Alignment of decision making with mission at units – who vets, evaluates, decides, prevents drift from mission
- Governance structure review/changes (faculty, students, staff)
- Time
- IPB listening opportunities
- Communication to units how to support, get help

Implementation/Oversight Team
- SMEs/School Admins
- 2 levels?
- 2 different functions between the teams
- How change structure?
- Chairs of CCPB, GFO
Endorsement: Carryover Policy

Implement a Carryover policy

a) Critical component in supporting long-term sustainable budget practices
b) Ensure availability of institutional support
c) Create transparency of funding source of centrally held resources

Proposed carryover policy:
The policy will outline the calculation of the campus needs well in advance of fiscal year start. At this time, the policy recommends surplus retention at 75% at unit level and 100% at school level. Any budget deficits become the obligation of the schools/units, with review by VCs including plan for elimination of the deficit.

- Surplus fund should only be used for one-time type expenditures (capital, program development, one-time program offerings, etc.)
- VCs will request surplus funds expenditure plans for review/approval
Discussion

> Pros/Cons to carry over approach e.g. only funding with needed $ - so % may vary depending on need and source (school/unit) may also vary depending on need.

> What about this variable approach works/doesn’t?
> Who should it apply to, not?
> If exempted, how should that be determined?
Group Feedback

- Fixed better than variable
- 50/50 (in units) split, where funds can be allocated back
- Manage spend
- Offering variable: makes people feel better
- Exemptions to equipment and asset replacement (labs, IT, Libraries should be budgeted): Faculty startups?
- Tax summer quarter and revenue share
- If schools get tax, it should stay in AA
- Tax all
- Move towards no exemptions
- Tie carry over to risk that is taken on (i.e. at schools)
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
Modified RCM Workplan – high level
(project plan/timeline to come soon)
Work continuing in FY 18 and beyond

- Identify Implementation Working (oversight?) 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 funding process for Chancellor investments and school/unit requests (strategic initiatives)
- 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...
## Modified RCM: Decision Matrix

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<tr>
<th>LOCUS OF DECISION MAKING - TIMING MATRIX</th>
<th>COSTS</th>
<th>INSTRUCTIONAL UNITS</th>
<th>NON-INSTRUCTIONAL UNITS</th>
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<tbody>
<tr>
<td>SALARY ADJUSTMENTS*</td>
<td>FY 2019</td>
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<tr>
<td>BENEFIT RATE CHANGES</td>
<td>FY 2019</td>
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<tr>
<td>NEW INVESTMENTS</td>
<td>FY 2018</td>
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*Above what the state is funding
Decisions Not Yet Finalized

1. Modified RCM budget model drivers
   a) New funding allocation % (modeled 70/30 to 60/40 school/unit split to date)
   b) School RCM distribution methodology
      ▪ Resource pooling vs. formula or combination (time-frame of implementation of either)
      ▪ Formula specific details (modeled SCHs and Graduations primarily at a 60/40 weight)
      ▪ Possible addition of Incentive structure (Student composition factors, Faculty costs weighting, Retention rates, interdisciplinarity etc.)

2. Funding of Mission Critical Operating Imperatives is a priority
   a) Re-investment pool definitions
      ▪ Level of funding
      ▪ Location of Funding (Unit holding vs. Institutional)
      ▪ Appropriate uses
      ▪ Access to fund process

3. Develop a carry over policy/approach
   a) Define purpose
   b) Develop implementation and yearly evaluation timelines
   c) Create transparency and predictability for planning purposes
RCM House Rules
**RCM House Rules (proposed)**

What responsibility centers can/cannot do without approval?

- Align with UW mission and UW Bothell strategies
- Use centralized functions (counseling, research office, student activities advising, HR)
- Cannot borrow money
- Cannot hire their own custodial, facilities, security, etc. services
- Cannot rent space without Chancellor approval
- Don't poach, duplicate classes, or “game” the system
- Align with collaborative and engage with 3 Cs (Cross-Disciplinarity, Community Engagement, Connected Learning) paramount
- VCs/Chancellor are final arbitrators

How can schools/units prepare for this modified RCM?

- Become familiar with their internal cost structure
- Learn how to create and manage fully costed budgets
- Understand where revenues and costs are right now
- Work within the shared governance structures
- Understand enrollments and credit hours and how to project these into the future for undergraduate and graduate students
- Understand components of the proposed modified model
- Ask for help
Discussion & Next Steps