



Date: September 30th 2019

To: Wolf Yeigh, Chancellor

Cc: General Faculty Organization (GFO) Executive Council (EC)
Campus Committee on Planning and Budget (CCPB)

From: RCM Review Team

Recommendation for the RCM Academic Pool Funding Allocations for FY2020+

After 27 years of incremental budgeting, UW Bothell adopted the modified Responsibility Centered Management (RCM) model in FY18. To minimize disruption to School and campus operations, funding allocations were based on the FY17 allocation plus additional funding provided by incremental tuition. For example, in FY19, the campus anticipated an increase of \$3 million in tuition dollars and this amount was distributed to Schools based on their *total* student enrollments. This method succeeded in providing stability but did not effectively incentivize growth since Schools received a share of the incremental revenue regardless of whether their enrollments grew or not. In addition, since undergraduate and graduate tuition were pooled, there was minimal incentive for growth in state-supported graduate programs that typically charge higher tuition with different enrollment challenges. Due to these structural imbalances, the Deans supported a rebasing of the RCM model.

Following an Enrollment Retreat (July 22nd 2019) and an RCM Retreat (August 15th 2019), you charged an RCM Review Team to evaluate alternatives to allocate the RCM Academic Pool and provide you with a recommendation by September 30th 2019. The Vice Chancellor for Academic Affairs (VCAA) chaired the RCM Review Team comprised of the Deans of each of the Schools, the Associate Vice Chancellor for Undergraduate Learning (AVCUL) who oversees First Year & Pre-major Programs (FYPP), and the chair of the General Faculty Organization (GFO). The RCM Review Team met four times with essential support provided by Institutional Planning and Budget (IPB), Institutional Research (IR), and the Vice Chancellor for Planning and Administration (VCPA).

Below, we present our recommendations and rationale for FY20+ funding allocations from the RCM Academic Pool. You can find more detailed information in Attachment A (overall methodology and assumptions), Attachment B (summary of the modeling results for a sample of the alternatives analyzed), and Attachment C (modeling results for final recommendation). [Note that the modeling results are illustrative and do not represent the final allocations. In addition, the reference to Schools below does not include FYPP.]

We look forward to your final decision regarding the RCM Academic Pool funding allocations for FY20+ and the opportunity to proceed with hiring for AY 2020-21. We plan to spend the next three months discussing a) campus-wide expenditure guidelines and b) an optimal synchronized multi-year timeline for enrollment and budget planning/adjustment with recommendations by the end of the Autumn 2019 quarter.

Recommendation & Rationale:

- Fund the **Office of Undergraduate Learning** based on its direct expenditure needs prior to applying an allocation model to the RCM Academic Pool. This Office includes FYPP, Pre-Major and Pre-Health Advising, retention programs, the Discovery Core, and other general education courses. Funding should be determined as follows:
 - Instructional Plan: AVCUL, in coordination with the Council of Academic Deans (CAD), determines what courses need to be offered for FYPP and how they should be assigned. Under either assignment option, Schools that teach assigned FYPP courses receive RCM activity metrics with increased RCM allocations. Schools that teach assigned Discovery Core courses also receive funding incentives per course.
 - Budget Plan: VCAA and AVCUL develop a FYPP Operating Plan for Personnel, Operations, and Instruction that aligns with campus-wide metrics for personnel.
 - Funding Decision: FYPP is funded via the RCM Academic Pool at the level agreed upon by the VCAA.
 - Budget True-Up: At year-end, FYPP is assigned a budget true up (+/-) that will pull from or back into the RCM Academic pool that was distributed to the Schools.

Rationale: FYPP is structured very differently from traditional Schools since it has relatively low fixed costs with relatively high activity to support pre-major students. As such, FYPP will be considerably overfunded if it is part of the allocation framework used for the Schools. Significant care is needed to ensure that a) FYPP maintains robust incentives for faculty across the University (housed in the Schools) to participate in the pre-major programs, b) FYPP can provide advising and retention programs for diverse student populations, and c) the FYPP mandate is fulfilled.

- Apply an **allocation model to the RCM Academic Pool for the Schools** with a framework that includes:
 - **Separate state-allocated pools for undergraduate tuition versus graduate tuition.** The undergraduate tuition pool is based on 80% RCM FTE, 15% Major headcount, 5% degrees/minors granted. The graduate tuition pool is based on 80% RCM FTE, 15% Major headcount, 5% degrees granted.
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Rationale: For both tuition pools, RCM activity is heavily weighted as reflected by the 80% given the campus decision to adopt an activity-based funding allocation approach. We privileged headcount over degrees because of the relatively short campus history that makes degrees a less stable variable. While there is some complication, the allocation model for undergraduate tuition includes degrees/minors granted to some extent to reflect the University's values in terms of persistence to major and cross-campus collaboration for minors even though this choice makes the model slightly more retrospective. It is uncertain how minors will be included in the formula (added to degrees, prorated, etc.) since the modeling team was not able to obtain the data for this phase of the modeling but the intention is that this will be a priority for the very near future.

- **Base funding** at \$250,000 for each School

Rationale: Including base funding for each School signifies the value that each School provides as part of a robust and comprehensive University that can transcend temporal change in student interest and societal demand while providing a level of stability for new/small Schools. We recommend a low level of base funding that reflects a portion of the senior administrative costs needed for each School while not overly affecting the funding directly tied to activity. The need for base funding should be re-evaluated by FY 2023.

- **Equal weighting of retrospective and prospective enrollment activity**

Rationale: The Team recognizes the need to more accurately reflect growth and reward activity that is forward-looking while minimizing the funding delay that cannot be recovered. The Team also recognizes that an allocation model that heavily weights prospective activity must be coupled with a robust enrollment planning system that will require more effort. Partnerships between the Schools and Enrollment Management need to mature at which point the balance in terms of weighting can be reevaluated.

- Reserve a **limited subvention pool of \$1million** from the RCM Academic Pool that is used for targeted subsidies to an individual School that smooth long-term, multi-year, structural problems by providing permanent funding during a given time period. True ups will not apply to subvention funds. The rules for applying the subvention pool are as follows:
 - A School that anticipates a need for subvention engages in ongoing consultation with the VCAA as soon as the structural need is identified.
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- The VCAA will consider authorizing subvention according to mission alignment, previous use of subvention, plans to address the underlying structural problems, and consultation with CAD, GFO, IPB, and other relevant campus leaders as needed.

Rationale: The IPB Team explained that in a higher education environment, some level of subvention is needed to support mission-centric academic programs. The subvention pool is set at \$1 million because a) this is suggested as adequate in the short-term by the initial modeling, and b) higher levels will result in less activity-based funding for the Schools along with less transparency. We expect this subvention pool to be used in its entirety through the next biennium. The practice of subvention should be evaluated over the long-term as the University gains experience.

- Refine the **multi-year enrollment planning data** provided by each School given the emphasis on prospective activity. With limited resources and near stable enrollment levels, planning must be detailed with a high degree of accuracy along with rolling-year cycles.
 - Provide **limited bridge funding** when necessary to ease the transition from the FY18 RCM Model approach to the recommended 2020+ RCM Model approach. The bridge funding source still needs to be identified. Schools need to work very closely with IPB over the next month to develop expenditure plans before the need for bridge funding can be determined.
 - Encourage Deans to strive for a **transparent budget/expenditure decision process** in partnership with the relevant Faculty Councils within each School/FYPP given the increased School autonomy and responsibility with the recommended RCM Model approach.
 - Address the **remaining issues** as follows:
 - If the expected trend towards **direct-entry admits** continues, we need further evaluation of the impacts to budget allocation.
 - Although not expected in the short-term, if there are extra subvention funds, we need to develop a plan for using such funds.
 - We suggest the below process to address the need for campus-wide expenditure policies to avoid unintended consequences of RCM allocation:
 - VCAA, VCPA, IPB, and IR determine several realistic scenarios for how expenditure policies may be achieved with the expected RCM allocation
 - CAD and the GFO Chair meet to discuss alternatives based on the results of the scenarios and guiding principles
 - After further modeling, CAD and GFO Chair meet to prepare recommendation to the Chancellor by the end of Autumn 2019 quarter
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- We suggest the below process to achieve an optimal, synchronized, multi-year enrollment planning and budget planning timeline:
 - VCAA, CAD Chair, Associate Vice Chancellor for Enrollment Management, OEHR Organizational Development Specialist, and Director of Institutional Research meet to determine what timelines exist and what are in progress
 - Based on findings, CAD and GFO Chair meet with invited guests to make any necessary changes to improve alignment with recommendation to the Chancellor by the end of Autumn 2019 quarter

Attachment A: Overall Methodology & Assumptions

1. We confirmed the principles by which we would evaluate the model alternatives based on input and feedback received at the August 15th RCM Rebasing Retreat. An ideal model should:
 - A. Incentivize cross/interdisciplinarity
 - B. Inherently include mission
 - C. Empower School autonomy within collective mission
 - D. Build in fairness
 - E. Support multi-year planning
 - F. Support flexibility
 2. We confirmed the component scenarios that would be modeled as alternatives:
 - Separating graduate tuition from undergraduate tuition
 - 80% FTE vs 20% FTE for the graduate tuition pool
 - FYPP as a School vs Overhead
 - Low base-level funding vs no base-level funding
 - Different weighting of retrospective vs prospective headcount and RCM FTE
 - Subvention
 - Various guardrails decided by IPB to reduce instability in the modeled alternatives
 - Expenditures not considered
 3. We used various assumptions as follows:

Metric Data:

 - Assumed that FTE across Schools is equivalent given that each School has high costs due to different factors and it is unclear if it is possible to determine the differences
 - Major HC: projections sourced from ESAC retreat, compiled by IR with historical
 - RCM FTE: IR provided actuals and projections
 - Degrees: FY2018 is most recent posted data. Working with IR for FY2019. Projections may not be possible. Will use FY18 for evaluation in interim.
 - Minors: Not yet sourced. Set as standalone category TBD

Funding:

 - Permanent state funding only
 - FY20 based on official spending authority distributions
 - FY21 & FY22 projection assumptions:
 - 2% annual tuition increase in Resident UG and G
 - RCM FTE increases derived from IR projections
 - UG increase assumed to be Residents
 - 70% of incremental tuition funding attributed to Academic unit pool
 - Proviso funding included in Academic unit pool, but directly allocated to applicable Schools
 - FY20 Academic unit pool: \$39,208,861
 - FY21 Academic unit pool: \$41,720,000
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- FY22 Academic unit pool: \$43,110,000

4. Evaluation of alternatives

- First, we evaluated component scenarios according to principles A thru F to determine a) preferences and b) areas where more clarity needed to understand alternatives.
 - Along with the qualitative evaluation, we considered the quantitative results for the first round of modeled alternatives to a) refine preference and b) continue to improve understanding about the alternatives
 - Based on the second round of evaluation, we reduced the analysis to a final model with two options for how to approach the activity metrics for the graduate tuition pool and developed draft rules for a) the FYPP direct funding, and b) subvention decisions.
 - Using all the information provided, we made a final allocation model recommendation.
 - Overall focus on selecting how the model will behave over the long term rather than focusing on FY20 which is a readjustment year.
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Attachment B: Comparison of a Sample of the Modeling Results

In this Scenario, FYPP is funded like other Schools on FTE, headcount and degrees (average of previous years actuals plus next year projections). No fixed overheads coverage for Schools.

SCENARIO 3a - FYPP as school, 1R / 1P										
SCHOOL	Original	Rebasing	RCM	RCM	Change			% Change		
	FY 2020	FY 2020	FY 2021	FY 2022	FY20 Rebase Change	FY21 Incremental	FY22 Incremental	FY20 Hist to FY20 Rebase	FY21 % Change	FY22 % Change
SES	2,760,043	1,845,502	2,025,443	2,244,212	(914,541)	179,941	218,769	-33%	10%	11%
STEM	12,508,669	12,518,529	14,271,748	14,787,918	9,860	1,753,219	516,170	0%	14%	4%
SNHS	3,375,615	3,428,010	3,491,014	3,556,200	52,395	63,004	65,186	2%	2%	2%
BUS	8,117,037	7,676,331	7,937,272	8,180,777	(440,706)	260,941	243,505	-5%	3%	3%
IAS	10,592,297	10,059,698	10,319,390	10,664,512	(532,599)	259,692	345,122	-5%	3%	3%
FYPP	1,855,199	2,680,791	2,675,133	2,676,381	825,592	(5,658)	1,248	45%	0%	0%
Total	39,208,861	38,208,861	40,720,000	42,110,000	(1,000,000)	2,511,139	1,390,000	-3%	7%	3%

In this scenario, FYPP is funded directly at \$1.2 million; Schools are funded on an average of the **two** previous year actuals plus next year projections of FTE/headcount/degrees. No fixed overheads coverage for Schools.

SCENARIO 1a - FYPP direct, 2R / 1P, 80/15/5 (FTE/HC/Degree)										
SCHOOL	Original	Rebasing	RCM	RCM	Change			% Change		
	FY 2020	FY 2020	FY 2021	FY 2022	FY20 Rebase Change	FY21 Incremental	FY22 Incremental	FY20 Hist to FY20 Rebase	FY21 % Change	FY22 % Change
SES	2,760,043	1,861,070	2,107,141	2,320,349	(898,973)	246,071	213,207	-33%	13%	10%
STEM	12,508,669	12,943,264	14,792,924	15,320,535	434,595	1,849,660	527,611	3%	14%	4%
SNHS	3,375,615	3,639,475	3,669,603	3,743,439	263,860	30,128	73,837	8%	1%	2%
BUS	8,117,037	7,989,195	8,261,189	8,497,580	(127,842)	271,994	236,390	-2%	3%	3%
IAS	10,592,297	10,575,856	10,689,142	11,028,097	(16,441)	113,286	338,955	0%	1%	3%
FYPP	1,855,199	1,200,000	1,200,000	1,200,000	(655,199)	-	-	-35%	0%	0%
Total	39,208,861	38,208,861	40,720,000	42,110,000	(1,000,000)	2,511,139	1,390,000	-3%	7%	3%

In this scenario, FYPP is funded directly at \$1.2 million; Schools are funded on an average of the **two** previous year actuals plus next year projections of FTE/headcount/degrees. Each School gets \$500K to cover fixed overheads.

SCENARIO 1b - FYPP direct w/ fixed, 2R / 1P										
SCHOOL	Original	Rebasing	RCM	RCM	Change			% Change		
	FY 2020	FY 2020	FY 2021	FY 2022	FY20 Rebase Change	FY21 Incremental	FY22 Incremental	FY20 Hist to FY20 Rebase	FY21 % Change	FY22 % Change
SES	2,760,043	2,235,450	2,476,167	2,687,873	(524,593)	240,716	211,707	-19%	11%	9%
STEM	12,508,669	12,539,124	14,380,592	14,905,163	30,455	1,841,468	524,571	0%	15%	4%
SNHS	3,375,615	3,919,236	3,952,042	4,027,713	543,621	32,806	75,671	16%	1%	2%
BUS	8,117,037	7,985,978	8,257,532	8,494,117	(131,059)	271,554	236,584	-2%	3%	3%
IAS	10,592,297	10,329,073	10,453,667	10,795,134	(263,225)	124,594	341,468	-2%	1%	3%
FYPP	1,855,199	1,200,000	1,200,000	1,200,000	(655,199)	-	-	-35%	0%	0%
Total	39,208,861	38,208,861	40,720,000	42,110,000	(1,000,000)	2,511,139	1,390,000	-3%	7%	3%

In this scenario, FYPP is funded directly at \$1.2 million; Schools are funded on an average of the previous year actuals plus next year projections of FTE/headcount/degrees. No fixed overheads coverage for Schools.

SCENARIO 2a - FYPP direct, 1R / 1P										
SCHOOL	Original	Rebasing	RCM	RCM	Change			% Change		
	FY 2020	FY 2020	FY 2021	FY 2022	FY20 Rebase Change	FY21 Incremental	FY22 Incremental	FY20 Hist to FY20 Rebase	FY21 % Change	FY22 % Change
SES	2,760,043	1,928,124	2,111,675	2,339,069	(831,919)	183,551	227,394	-30%	10%	11%
STEM	12,508,669	13,050,901	14,812,311	15,340,199	542,232	1,761,410	527,889	4%	13%	4%
SNHS	3,375,615	3,607,047	3,669,224	3,724,139	231,432	62,177	54,915	7%	2%	1%
BUS	8,117,037	7,997,643	8,254,234	8,500,422	(119,394)	256,590	246,188	-1%	3%	3%
IAS	10,592,297	10,425,145	10,672,556	11,006,170	(167,152)	247,411	333,614	-2%	2%	3%
FYPP	1,855,199	1,200,000	1,200,000	1,200,000	(655,199)	-	-	-35%	0%	0%
Total	39,208,861	38,208,861	40,720,000	42,110,000	(1,000,000)	2,511,139	1,390,000	-3%	7%	3%

In this scenario, FYPP is funded directly at \$1.2 million; Schools are funded on an average of the previous year actuals plus next year projections of FTE/headcount/degrees. Each School gets \$500K to cover fixed overheads.

SCENARIO 2b - FYPP direct w/ fixed, 1R / 1P										
SCHOOL	Original	Rebasing	RCM	RCM	Change			% Change		
	FY 2020	FY 2020	FY 2021	FY 2022	FY20 Rebase Change	FY21 Incremental	FY22 Incremental	FY20 Hist to FY20 Rebase	FY21 % Change	FY22 % Change
SES	2,760,043	2,298,083	2,480,374	2,705,296	(461,960)	182,291	224,921	-17%	8%	9%
STEM	12,508,669	12,639,886	14,398,583	14,923,463	131,217	1,758,698	524,880	1%	14%	4%
SNHS	3,375,615	3,888,983	3,951,691	4,009,751	513,368	62,708	58,060	15%	2%	1%
BUS	8,117,037	7,993,780	8,251,077	8,496,762	(123,257)	257,297	245,684	-2%	3%	3%
IAS	10,592,297	10,188,129	10,438,274	10,774,728	(404,168)	250,145	336,454	-4%	2%	3%
FYPP	1,855,199	1,200,000	1,200,000	1,200,000	(655,199)	-	-	-35%	0%	0%
Total	39,208,861	38,208,861	40,720,000	42,110,000	(1,000,000)	2,511,139	1,390,000	-3%	7%	3%

Attachment C: Final Allocation Model (illustrative not actual allocations)

In this Scenario, FYPP is funded directly and Schools are funded based on student FTE (80%), headcount (15%) and degree production (5%). These numbers are an average of the actual in the previous year and the projections for the next year. Schools also get \$250K each to cover some of their fixed overheads.

SCENARIO - FYPP direct, 250k fixed, .5R / .5P, 80/15/5 (FTE/HC/Degree)										
SCHOOL	Original	Rebasing	RCM	RCM	Change			% Change		
	FY 2020	FY 2020	FY 2021	FY 2022	FY20 Rebase Change	FY21 Incremental	FY22 Incremental	FY20 Hist to FY20 Rebase	FY21 % Change	FY22 % Change
SES	2,760,043	2,167,339	2,210,127	2,602,773	(592,704)	42,788	392,646	-21%	2%	18%
STEM	12,508,669	12,956,109	15,022,675	15,812,891	447,440	2,066,567	790,216	4%	16%	5%
SNHS	3,375,615	3,552,702	3,749,838	3,644,493	177,087	197,136	(105,344)	5%	6%	-3%
BUS	8,117,037	7,979,445	8,175,268	8,434,089	(137,592)	195,823	258,821	-2%	2%	3%
IAS	10,592,297	10,153,266	10,162,092	10,215,754	(439,031)	8,825	53,662	-4%	0%	1%
FYPP	1,855,199	1,400,000	1,400,000	1,400,000	(455,199)	-	-	-25%	0%	0%
Total	39,208,861	38,208,861	40,720,000	42,110,000	(1,000,000)	2,511,139	1,390,000	-3%	7%	3%