

An Introduction to ABB at UW

Spring 2018



Overview of OPB

OPB has three main areas of work:

- Institutional & Data Analysis
- Financial Analysis & Budget Strategy
- Policy, Planning & State Operations

We work for many stakeholders:

- UW senior leaders
- Campus administrators
- Faculty, students, and other campus stakeholders
- State lawmakers and legislative staff
- Other state agencies and institutions of higher education
- General public



Agenda

- > Brief History
- > Overview of Activity Based Budgeting at UW
- > Trends and Future Directions for ABB

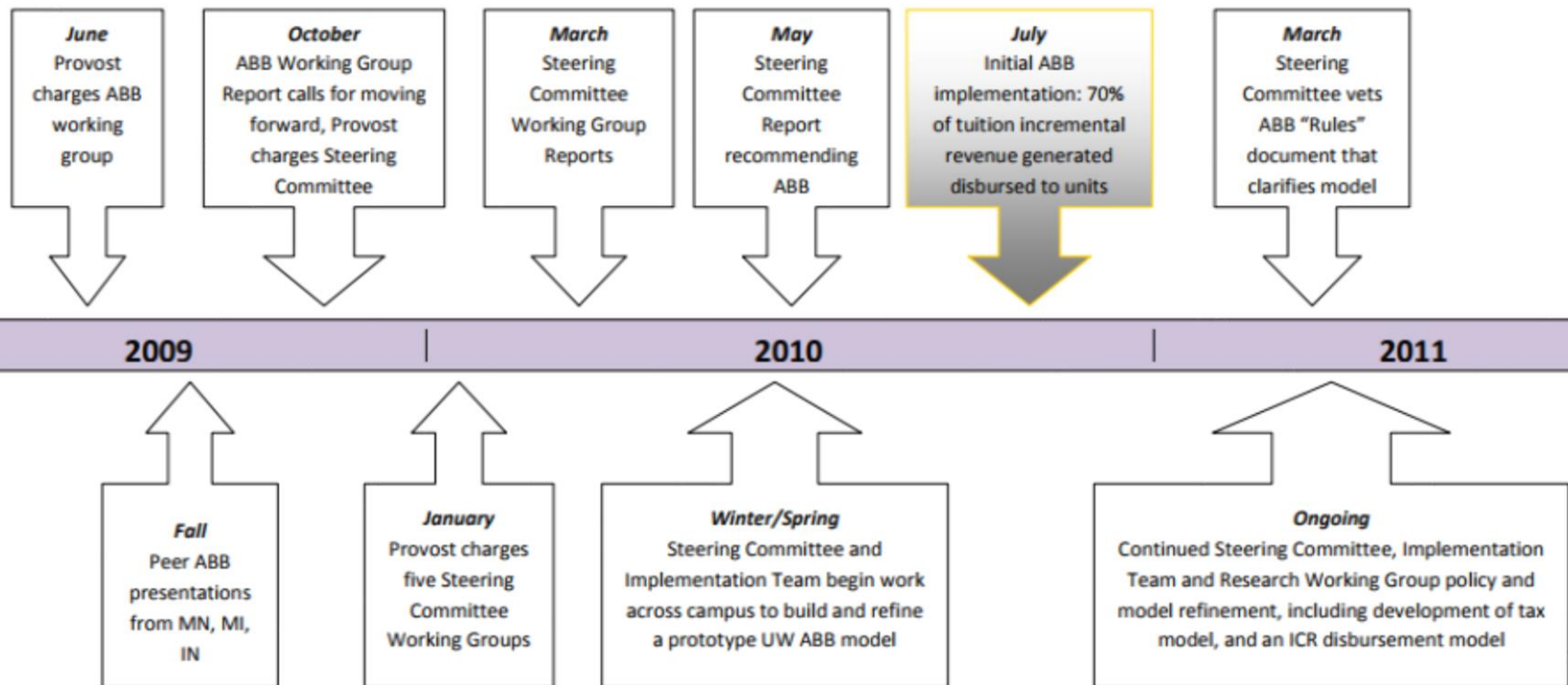
For more information on Activity Based Budgeting, please check out our website (opb.Washington.edu/activity-based-budgeting) or email us at uwir@uw.edu.



Activity Based Budgeting at UW: A brief history

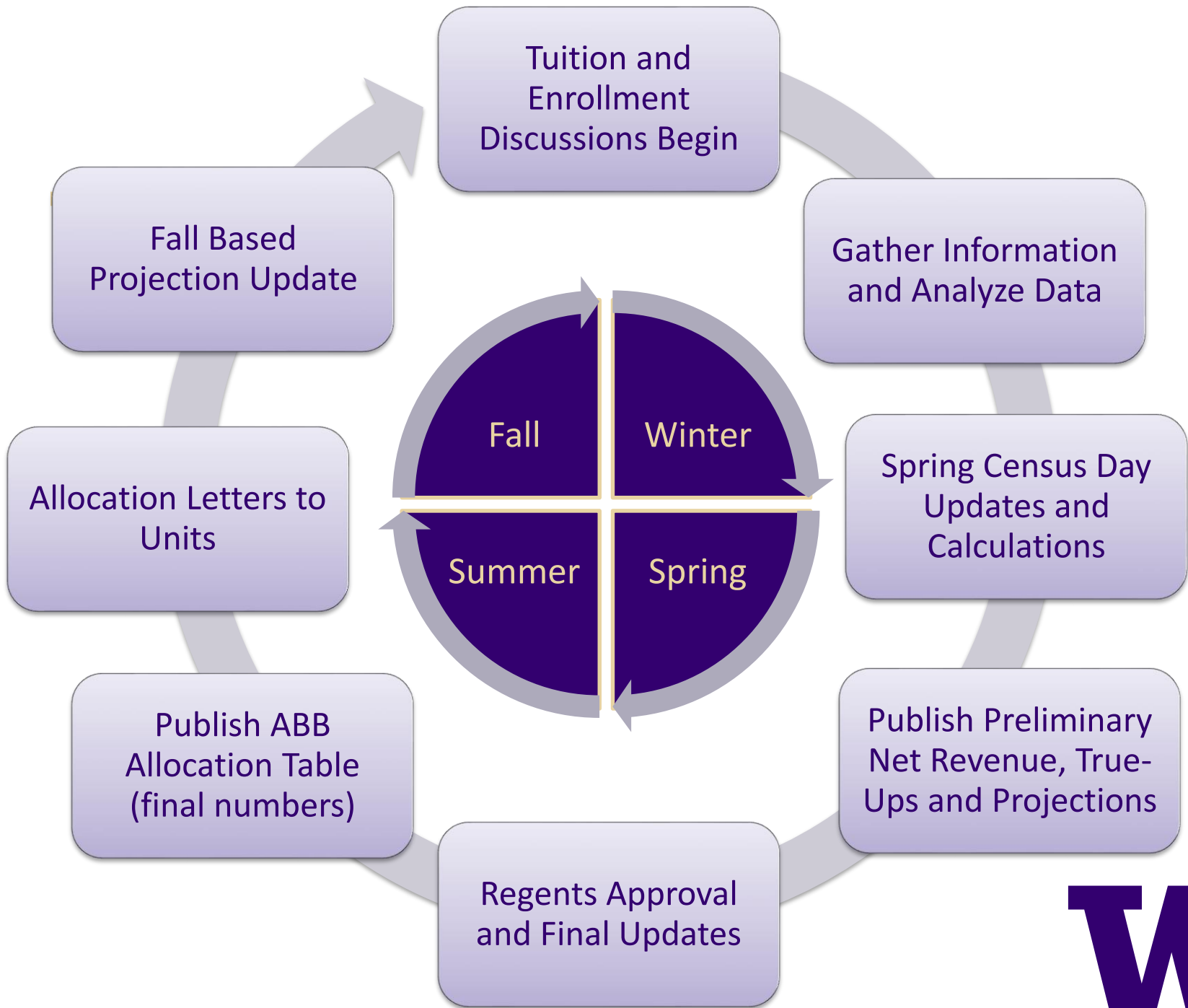


Approaching Activity Based Budgeting (ABB) at the University of Washington: Timeline



Activity Based Budgeting at UW: Overview





Operating Fee Revenue Distribution Calculations For ABB

- > Calculation of the net operating fee revenue pools
- > Calculation of the distribution of each pool to schools/colleges
- > Projections



Net Operating Fee Revenue

- All net operating fee revenue from Bothell and Tacoma is distributed to each campus
- Net operating fee revenue (revenue after waivers and other financial aid) is distributed to Seattle schools and colleges as follows:
 - 70% is distributed
 - Undergraduate: 80% based on SCH, 20% on degrees
 - Graduate/Professional: 80% on SCH, 20% on majors



Gross to Net Operating Revenue for Distribution

- For each tuition group, we now have:

G = Gross Revenue

G_R = Gross revenue, resident portion

W = Waivers

- Calculate aid pools:

$NM = \text{Need merit pool} = 0.04 \times G_R$

$S = \text{SetAside} = 0.05 \times (G - W - NM)$

- Calculate net revenue:

$NetOp = G - W - NM - S - Addl$, where

$Addl = \text{Additional Aid Pool}$



A Note on Calibration

There is a difference between the amount of revenue we calculate and the amount we receive

- We calculate gross revenue based on census day enrollment
- People may not pay in the quarter in which they are enrolled; people from prior quarters may pay in this quarter

For purposes of calculating true-up, we do calibration

- Calibration factors are usually around 0.995, so it is not necessary to use the calibration factor when doing projections.



Distribution of Net Operating Fee Revenue to Schools/Colleges

- > Determine activity for each tuition group
 - SCH
 - Major Enrollments (Grad/Prof only)
 - Degree Majors (undergraduates only)
- > Calculate % of activity for each tuition group from each college
- > Distribute on the basis of parameters and percentage of total activity (per tuition group)



Distributing Revenue by Tuition Group Example – Undergraduate Tuition Group

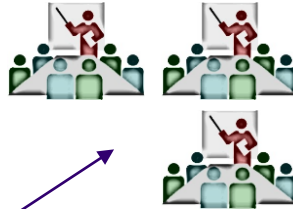


Net Operating Revenue by Tuition Group
(70% distributed)



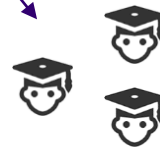
UG Tuition
Group

SCH Total and
by College



College TG SCH/Total TG
SCH = SCH%

Distribution Parameters:
80% SCH
20% Degrees



Degrees Total
and by College

College TG Degs/Total TG
Degs = Degs%

$$\text{Revenue Distributed} = (.8 * \text{SCH\%} * .7 * \text{NetOp}) + (.2 * \text{Deg\%} * .7 * \text{NetOp})$$

Incremental Net Operating Fee Revenue

- Each Spring, final revenue from current FY is known and revenue for next year is projected:
 - Difference between projection and actual for ***current year***: true-up
 - Difference between actual and projection for ***coming year***: increment
- 30% tax (Provost reinvestment fund PRF)
 - The only PRF from net op fee revenue available for distribution is based on true up and increment



True-Up and Incremental Projection Example

Seattle School/College	FY18 Projection (as of April 2017)	FY18 Actuals	FY18 Estimated True Up	FY19 Preliminary Incremental	FY19 Projection*
202 - Provost	\$ 321,179	\$ 367,215	\$ 46,036	\$ 5,034	\$ 372,249
252 - Built Environments	\$ 9,882,709	\$ 10,871,741	\$ 989,033	\$ 160,462	\$ 11,032,203
254 - College of Arts and Sciences	\$ 173,739,406	\$ 178,749,699	\$ 5,010,292	\$ 2,359,296	\$ 181,108,995
256 - Foster Business School	\$ 24,776,004	\$ 24,383,075	\$ (392,929)	\$ 330,471	\$ 24,713,546
258 - College of Education	\$ 9,456,948	\$ 10,389,598	\$ 932,650	\$ 153,506	\$ 10,543,104
260 - College of Engineering	\$ 38,471,385	\$ 41,161,299	\$ 2,689,914	\$ 477,753	\$ 41,639,052
263 - College of the Environment	\$ 18,003,232	\$ 18,050,357	\$ 47,125	\$ 223,230	\$ 18,273,587
266 - Graduate School	\$ 1,635,487	\$ 1,706,104	\$ 70,617	\$ 10,327	\$ 1,716,431
267 - The Information School	\$ 5,839,863	\$ 7,002,336	\$ 1,162,473	\$ 26,395	\$ 7,028,732
268 - School of Law	\$ 11,451,988	\$ 11,232,314	\$ (219,674)	\$ 304,637	\$ 11,536,951
270 - Evans School of Public Policy & Governance	\$ 5,073,245	\$ 5,058,648	\$ (14,597)	\$ 237,131	\$ 5,295,779
272 - School of Social Work	\$ 4,543,047	\$ 4,773,336	\$ 230,289	\$ 352,851	\$ 5,126,187
282 - Undergraduate Academic Affairs	\$ 3,043,616	\$ 2,952,291	\$ (91,326)	\$ 39,971	\$ 2,992,262
302 - School of Dentistry	\$ 7,792,679	\$ 7,831,738	\$ 39,059	\$ (117,082)	\$ 7,714,656
304 - School of Medicine	\$ 29,505,346	\$ 29,818,937	\$ 313,592	\$ 994,284	\$ 30,813,221
306 - School of Nursing	\$ 4,585,508	\$ 4,737,004	\$ 151,496	\$ 65,585	\$ 4,802,589
308 - School of Pharmacy	\$ 6,806,703	\$ 7,193,684	\$ 386,981	\$ 168,005	\$ 7,361,688
310 - School of Public Health	\$ 11,496,641	\$ 12,595,505	\$ 1,098,865	\$ 141,166	\$ 12,736,671
Total	\$ 366,424,985	\$ 378,874,881	\$ 12,449,897	\$ 5,933,022	\$ 384,807,903

*1.5% risk pool taken from projected net operating fee revenue; 70% distribution based on ABB parameters

Seattle School/College	FY18 Projection (as of April 2017)	FY18 Actuals	FY18 Preliminary True Up	FY19 Preliminary Incremental	FY19 Projection*
UW Bothell	\$ 55,597,562	\$ 56,934,485	\$ 1,289,291	\$ 1,121,638	\$ 58,056,123
UW Tacoma	\$ 44,404,723	\$ 45,177,577	\$ 772,854	\$ 1,238,281	\$ 46,415,858
Total	\$ 100,002,285	\$ 102,112,062	\$ 2,062,145	\$ 2,359,919	\$ 104,471,981

*1.5% risk pool taken from projected net operating fee revenue



AnalyticInteg: The New ABB Database

Transparency

- New Tables and Views held within a database in EDW
- Logic for Calculations – allowing for drill-downs

Improvements

- Include students with exemptions
- Joint course logic
- Automation of derived fields and tables

Use

- Documentation for those with analysts in their units
- Office Hours and Regular Meetings with Updates
- Tracing numbers back to source



Indirect Cost Recovery (ICR) and Miscellaneous Fees

- > Indirect Cost Recovery (ICR): Under ABB, units that generate ICR retain 35 percent of those funds. The other 65 percent is held centrally to reflect the centrally-funded share of general administrative and facilities costs.
- > Miscellaneous Fees: Under ABB, the revenue from a variety of “miscellaneous fees” is taxed at 30 percent, and the remaining 70 percent is distributed to the units that manage the activities for which the fees are charged.



Setting the Baseline: How the FY12 Supplement was Determined

- When ABB began, units were “held harmless”:
 - GOF/DOF budgets were held stable
 - Difference between GOF/DOF base and calculated tuition and ICR revenue was distributed to units as “Supplement”
 - $\text{FY12 Supplement} = \text{FY11 Permanent GOF/DOF budget} - (\text{FY11 Tuition} + \text{FY11 ICR})$
- Each year since, investments in unit supplements have been spelled out. For example
 - Provisos
 - Distribution of state funds to make up for a decrease or freeze in RUG tuition
 - Investment in compensation



ABB Trends and the Effects on Unit Allocations



ABB Trends

- > Every academic unit's ABB budget has increased since FY12.
- > From FY13 to FY17, undergraduate tuition revenue increased by 10 percent.
- > Academic units continue to experience more budget growth than administrative units, both in terms of real dollars (\$190 million versus \$72 million) and in terms of proportionate growth (40 percent versus 23 percent).
- > Of the 34 percent total combined ABB budget growth for Seattle academic and administrative units, 73 percent of the growth occurred in academic units, while the remaining 27 percent occurred in administrative units.



Undergraduate Tuition Revenue – Shifts between units

- Undergraduate tuition revenue represents over 70 percent of tuition revenue
- From FY13 to FY17, undergraduate tuition revenue increased 10 percent
 - Arts & Sciences received roughly the same undergraduate revenue in FY17 as in FY13
 - During the same time period, other schools/colleges increased undergraduate revenue generated by 75-180%



Looking Ahead: New Strategic Questions & Future Directions for ABB

ABB Analysis and Future Options

- Process improvements to narrow the margin of error on projections
- ABB Reporting and Visualization Group
- ABB Five Year Formal Review (FY20)



QUESTIONS?

