



January 9, 2017

***Activity Based Budgeting (ABB) Oversight Committee***

Sandra Archibald, Dean and Professor, Evans School of Public Policy and Governance, Chair, Board of Deans and Chancellors

Zoe Barsness, Associate Professor, Milgard School of Business, Chair, Faculty Senate

Rovy Branon, Vice Provost, UW Continuum College

Jessica Brase, Assistant Dean, Finance and Operations, School of Law

Carol Diem, Director of Institutional Analysis, Office of Planning and Budgeting

David Green, Chief Financial Officer, School of Medicine

Sarah Norris Hall, Associate Vice Provost, Office of Planning and Budgeting

Paul Hopkins, Professor and Department Chair Emeritus, Department of Chemistry, Chair, Faculty Senate Committee on Planning and Budgeting

Soh Yeun (Elloise) Kim, President, Graduate and Professional Student Senate

Mary Lidstrom, Vice Provost for Research

Daniele Meñez, President, Associated Students of University of Washington

Linda Rose Nelson, Director, Finance and Administration, College of Arts and Sciences

Kojay Pan, Director, Finance and Administration, College of Engineering

Dear Colleagues:

I am writing to ask you to convene the University's Activity Based Budgeting (ABB) Oversight Committee. In this letter, I will outline some of the key issues we need to address, as well as a timeline for your work.

In recent correspondence to the Board of Deans and Chancellors and the Faculty Senate Committee on Planning & Budgeting, I announced several changes to the ABB ruleset that will take effect July 1, 2017 (FY18). I also noted that a third full-scale review of ABB should take place in three fiscal years (FY20) to implement changes effective July 1, 2020 (FY21). However, there are several issues regarding the updated ABB model that must be addressed before that time. These issues are outlined below.

**I. Policy and practice regarding potentially duplicative courses and degrees:**

The ABB Phase II committee was not able to formulate a strategy or process by which newly-introduced and potentially duplicative courses and degrees could be evaluated in terms of financial implications. I would like for this committee to engage in another conversation with the related faculty committees to consider how financial issues inherent in course creation could be brought to bear during curricular review. I have no wish to intervene in a faculty-led process evaluating curricula, but there are financial implications for the decisions made by these committees. As such, I would like for this committee to review current-state processes and work with faculty to consider options to improve the future state.

**II. Summer quarter revenue:**

The Faculty Council on Teaching & Learning and ABB Phase II committee recommended that the role of summer quarter revenue in the ABB model be considered at a later date. I believe, however, that we should not delay in addressing this issue. Currently, units offering summer courses through the Continuum College (CC) receive central funds to cover the associated expenses. I would like this committee to consider how summer quarter revenue from courses *outside* of CC could be distributed under a formulaic approach. The first order of business will be for the Continuum College (CC) and the Office of Planning & Budgeting (OPB) to develop a clear inventory of which summer courses fall within the CC framework, and

which fall outside of it. In developing recommendations for revenue distributions, it is critical that this committee consider all academic units that currently have (or are considering having) summer quarter activity outside of CC.

### **III. Distribution of supplement funds:**

The distribution of supplement funds (e.g., permanent base budgets not derived from tuition revenue or indirect cost recovery) should be revisited in light of the changing cost of delivering education and in recognition of any new policy recommendations regarding potentially duplicative courses and summer quarter revenue. When ABB was implemented, unit supplements were calculated to maintain each unit's General Operating Funds (GOF) and Designated Operating Funds (DOF) budget. Each year, a variety of changes are made to a unit's supplement (for example, to account for state funds for compensation or Provost Reinvestment funds to backfill tuition reductions). These changes typically have not contemplated the rising cost of delivering education. In addition, these changes have not taken into account differential cost growth borne by different schools and colleges. As such, I would like this committee to revisit the way in which unit supplements are calculated. Please include any possible changes that may be needed in light of policy recommendations under items I and II.

### **IV. Review of proposed calculation changes:**

A data model that allows all administrators to access all of the data elements needed to perform all ABB calculations on their own is now available in the Enterprise Data Warehouse (EDW). With the development of that data model, some previously existing calculation limitations have been overcome. Review and approval of changes to take advantage of the new model is required.

I ask that you assess the scope of each of these three issues; brainstorm possible options; and evaluate the impact of each option from a financial and policy perspective, taking into account unit- and institution-level impacts. Please provide your report to me by June 1, 2017. My intent is to make any necessary changes effective in summer 2018.

Sincerely,



Gerald J. Baldasty  
Provost and Executive Vice President  
Professor, Department of Communication

cc: Board of Deans and Chancellors  
Faculty Senate Committee on Planning & Budgeting  
Faculty Senate Leadership  
Unit Administrators