Centrally allocated funds

Current

Unit GOF and DOF budgets, which have historically been adjusted by the Provost on an incremental basis, provide the basic support for all academic and administrative functions.

ABB Approach

Tuition revenue, Indirect Cost Recovery (ICR), and other locally-generated funds will be allocated to the units generating the revenue. Tuition and ICR will be subject to a central tax; other revenue sources may be taxed or have overhead charged. Tax revenue plus State appropriations and other central revenues will wholly fund central administrative functions of the University (including facilities and utilities). They will also be used as necessary to supplement the revenue units generate under ABB to ensure that University missions and goals are met and that the transition to ABB does not entail any sudden, dramatic funding shifts. Finally, to the extent funds are available, they will be used to fund new strategic initiatives.

ABB Principles

- Support, not determine, University missions and goals
- Provide incentive for positive behaviors, innovation and operational efficiencies
- Be transparent
- Be as simple as possible to understand, administer and implement
- Enable the administration to effectively lead the institution
- Clearly identify cross subsidization.
- Support “common good” services, programs and operations
- Facilitate planning
- Encourage optimal redirection of investments, even during financially distressed periods
- Recognize the importance of maintaining current funding levels or phasing-in funding reductions

Decision Statement

- The Provost will have a pool of funds comprising State appropriations, ABB tax revenue from units, Institutional Overhead, and any other central revenue sources.
- This pool will be used to fund University obligations such as debt service and central administrative functions, provide supplemental funding to the Activity-Generating Units when warranted, and fund new initiatives.
- In the initial year of ABB (starting July 2012), the centrally allocated funds will also be used to make up the difference between budgets in the Activity-Generating Units (net of budget cuts) and the funding they are able to generate under ABB.
Some Activity-Generating Units may generate a “negative supplement” if their funding from Operating Fees and ICR is sufficient to cover their budget. Those negative supplements are necessary to maintain current relative funding—i.e., cross-subsidies.

Cross subsidies are natural in a university and reflect the need to provide instruction and research in a large number of disciplines to meet the needs of the State of Washington and create a university of world-class stature. They also reflect, to some degree, differences in the cost of instruction. ABB will make these cross-subsidies transparent. Going forward, the Provost will make decisions on maintaining, increasing, or decreasing subsidies based on a continuing evaluation of the University’s mission and the reasonableness of demands on units (and their students) that self-generate the largest percent of funds under ABB as currently defined to cover their costs.

- The Provost will allocate a portion of funds from these sources to units in order to:
  - Fund central units and services
  - Maintain or incrementally adjust current patterns of cross subsidization
  - Support institutional objectives and initiatives
  - Honor specific State appropriation instructions such as provisos (which direct funds to specific purposes or goals), salary bills, or appropriations for benefits costs
  - Incorporate current agreements to apply ICRs to specific costs such as debt service

- These funds will be allocated through an annual process led by the Provost. The exact timing and steps in the process will be determined by the Provost and may change depending on the funding environment, the legislative process, and internal planning considerations.
  - The University Budget Committee will assist the Provost in identifying priorities and addressing issues such as changes in cross-subsidies.

Rationale

- Ensures that budget mechanisms do not supplant leadership judgment in resource allocation.
- Provides Provost with funds to continue support for those units that generate little or no revenue (that is, most administrative units).
- Continues (and makes visible) current patterns of cross subsidies, avoiding windfalls and sudden shocks in funding due to ABB. Over time, the Provost may decide to adjust these subsidies, consistent with the University’s missions.
- This approach also recognizes that some academic units have historically received state appropriations for new or expanded programs and the University needs to continue to honor the stipulations of those appropriations.