



June 10, 2016

Board of Deans and Chancellors

Vice Presidents

Vice Provosts

Dave Anderson, Health Sciences Administration

Rolf Johnson, Chief of Staff, Office of the President

Karin Nyrop, Division Chief, Attorney General's Office

Dear Colleagues:

I write to provide you with information regarding FY17 Activity Based Budgeting (ABB) and Provost Reinvestment Fund (PRF) allocations. As articulated in previous correspondence to campus, President Cauce and I worked hard this year to make your priorities our priorities; compensation funding consumed most of the new funding we had available, followed by investments in areas of critical compliance, child care services, critical technology enhancements to support the student experience, and the provision of more stable funding for libraries, both in terms of collections and student minimum wage expenses.

This correspondence provides three critical budget resources for Seattle academic and administrative units, UW Bothell, and UW Tacoma:

1. A reiteration of compensation funding policies and expectations;
2. The FY17 Allocation ABB table, which shows final values for the FY16 tuition true-up, FY17 tuition projections, distributions of state funding, and allocations of incremental funding from Indirect Cost Recovery (ICR); and
3. The Provost Reinvestment Fund Commitment Table, which shows PRF allocations beyond those noted in the ABB table for merit increases.

Should you have any questions about this information, please contact Sarah Norris Hall (sahall@uw.edu), Carol Diem (cdiem@uw.edu), or Amy Floit (afloit@uw.edu).

Compensation Funding

In May, after many conversations with faculty, deans, and administration leadership, I authorized a 4 percent merit increase (2 percent minimum merit, 2 percent additional merit). Details regarding execution of this process are available at this location:

http://opb.washington.edu/sites/default/files/opb/Budget/FY17_Merit_Letter_Final_May%202016.pdf.

Seattle schools and colleges, UW Bothell, and UW Tacoma will receive a proportionate share of the state-funded compensation and benefit appropriations allocated to the UW. These allocations are described below and included in the attached ABB table. Seattle academic units also receive PRF support for half of the merit increases for faculty, professional staff, and classified staff. The remaining half must be covered by the unit.

Seattle administrative units will receive an allocation for merit increases, as well as funding for benefits increases. However, these allocations to Seattle administrative units will not fully cover compensation costs generated by the authorized 4 percent adjustment. It is my intention that funds not be provided to administrative units for vacant positions and that any unused funds be returned for redistribution to other units. As such, I will provide central funds to cover 90 percent of the expense

generated by the 4 percent salary increase. Units will be expected to cover the remaining 10 percent. Seattle administrative units are encouraged to consider whether employees who were hired, were promoted, or received an in-grade adjustment since February 29, 2016, should be eligible for an increase. If this policy presents a significant challenge to your unit, please let me know.

FY17 ABB Allocation Table

The ABB table attached to this correspondence provides financial data in a revised format to highlight specific changes in both tuition revenue and compensation funding. Per normal practice, the table begins with columns of data showing the prior GOF and DOF permanent base budgets for each unit. Adjustments (e.g., true-ups) to prior base budgets are presented in adjacent columns. The following additional columns highlight allocations associated with FY17:

Tuition, ICR, and Miscellaneous Fee Budget Changes

- Columns C-D provide tuition true-up and projection figures. The FY16 tuition base, when combined with these two columns, sums to Column E, the FY17 Tuition Revenue component.
- Columns F and G display the base ICR budgeted amounts and the incremental allocation for FY17, both of which sum to Column H, Total ICR.
- Columns I and J show base miscellaneous fee budgeted figures and incremental allocations given in FY16 to bring values to the actual level of the last completed fiscal year (FY2015). Together, these columns sum to Column K.

Supplement Changes

- Column L provides the adjusted FY16 supplement base. As a reminder, the supplement category was a plug in FY12 when the University moved to the ABB model and held units harmless at their current permanent GOF and DOF bases. Since that time, changes in state funds, PRF allocations, and other funds have altered units' supplements. Changes in the supplements for the FY17 budget are shown in columns M through Q.
 - Column M shows the "true-up of FY16 tuition backfill," which represents the redistribution of state funds associated with the resident undergraduate tuition backfill. This "true-up" is due to the difference between expected and actual enrollment by unit.
 - Column N provides information regarding allocations of state appropriations associated with the reduction of resident undergraduate tuition rates (-10.5%) in FY17. The state provided an additional \$26.5M to backfill for that reduction, and that amount has been distributed *as if* it is tuition revenue from resident undergraduates (rather than attempting to estimate and distribute the loss experienced by each unit as a result of the reduction).
 - Columns O and P display the distribution of state funds for benefits expenses and for salary increases. Note that the legislature provided less than 30 percent of the funds necessary to implement a 1.8 percent merit increase and assumed the UW would cover the remaining costs from local funds.
 - Because state funding for compensation was insufficient to fund our target merit increase for faculty and staff, the Provost is providing Seattle schools and colleges with PRF support to implement an estimated 2 percent merit increase pool. These allocations are documented in Column Q.
 - Columns M-Q provide permanent funds to units, thus giving rise to higher total FY17 supplement funding levels, documented in Column R.
 - The final column sums to each unit's new ABB base budget, under the heading "FY17 Total ABB Budget."

This table will be updated as we finalize actual allocations, particularly those for administrative unit salary increases as the cost of these will be calculated in late June 2016. These changes will be captured in fiscal allocation reports, which will be sent to units during the first part of August. The fiscal allocation will

itemize allocations by unit and will specify the type of funds to be disbursed (GOF/DOF and permanent or temporary).

Additional ABB files for FY17, including tuition revenue by tuition group, student credit hour distribution, and degree major and major enrollment distribution, are available here:

http://opb.washington.edu/sites/default/files/opb/Budget/FY17_Final_ABB_Projections.xlsx.

Provost Reinvestment Fund Commitment Table

Last fall, I initiated the FY17 budget development cycle with clear goals for FY17. These goals, listed below, were shared by many, including deans, chancellors, faculty, staff, and students:

1. Provide competitive compensation
2. Transform administration
3. Fund areas of critical compliance
4. Invest in the student experience

As noted, for FY17, the bulk of state funds and ABB tax funds are being spent on compensation-related expenses (wages, salaries, and benefits). Permanent funds are being deployed for three truly critical investments: Libraries' request for collections, Libraries' student minimum wage expenses, and Internal Audit's request for a position to monitor HR/P and healthcare compliance. All other commitments are being made on a temporary basis. This year, I began to focus on funding requests as a "match," where requests are funded in partnership between units and the Provost. I plan to employ this approach during the FY18 budget development process, as well.

Sincerely,



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

Attachments

- FY17 ABB Allocation Table
- FY17 Provost Reinvestment Fund Commitment Table

- cc Faculty Senate
Unit Administrators
Sarah N. Hall, Assistant Vice Provost, Planning & Budgeting