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

**June**
- Provost charges ABB working group

**October**
- ABB Working Group Report calls for moving forward, Provost charges Steering Committee

**March**
- Steering Committee Working Group Reports

**May**
- Steering Committee Report recommending ABB

**July**
- Initial ABB implementation: 70% of tuition incremental revenue generated disbursed to units

**March**
- Steering Committee vets ABB “Rules” document that clarifies model

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**2009**
- **Fall**
  - Peer ABB presentations from MN, MI, IN

**2010**
- **January**
  - Provost charges five Steering Committee Working Groups

- **Winter/Spring**
  - Steering Committee and Implementation Team begin work across campus to build and refine a prototype UW ABB model

**2011**
- **Ongoing**
  - Continued Steering Committee, Implementation Team and Research Working Group policy and model refinement, including development of tax model, and an ICR disbursement model
Activity Based Budgeting at UW: Overview
Tuition and Enrollment Discussions Begin

Gather Information and Analyze Data

Spring Census Day Updates and Calculations

Publish Preliminary Net Revenue, True-Ups and Projections

Regents Approval and Final Updates

Publish ABB Allocation Table (final numbers)

Allocation Letters to Units

Fall Based Projection Update
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:
  \[
  G = \text{Gross Revenue} \\
  G_R = \text{Gross revenue, resident portion} \\
  W = \text{Waivers}
  \]

- 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:
  \[
  NetOp = G - W - NM - S - Addl, \text{ where} \\
  Addl = \text{Additional Aid Pool}
  \]
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)

SCH Total and by College

UG Tuition Group

Distribution Parameters:
80% SCH
20% Degrees

Degrees Total and by College

Revenue Distributed = (0.8 * SCH% * 0.7 * NetOp) + (0.2 * Deg% * 0.7 * 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

<table>
<thead>
<tr>
<th>Seattle School/College</th>
<th>FY18 Projection (as of April 2017)</th>
<th>FY18 Actuals</th>
<th>FY18 Estimated True Up</th>
<th>FY19 Preliminary Incremental</th>
<th>FY19 Projection*</th>
</tr>
</thead>
<tbody>
<tr>
<td>202 - Provost</td>
<td>$321,179</td>
<td>$367,215</td>
<td>$46,036</td>
<td>$5,034</td>
<td>$372,249</td>
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<tr>
<td>252 - Built Environments</td>
<td>$9,882,709</td>
<td>$10,871,741</td>
<td>$989,033</td>
<td>$160,462</td>
<td>$11,032,203</td>
</tr>
<tr>
<td>254 - College of Arts and Sciences</td>
<td>$173,739,406</td>
<td>$178,749,699</td>
<td>$5,010,292</td>
<td>$10,462</td>
<td>$181,108,995</td>
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<tr>
<td>256 - Foster Business School</td>
<td>$24,776,004</td>
<td>$24,383,075</td>
<td>(392,929)</td>
<td>2,359,296</td>
<td>$24,713,546</td>
</tr>
<tr>
<td>258 - College of Education</td>
<td>$9,456,948</td>
<td>$9,389,598</td>
<td>67,350</td>
<td>153,506</td>
<td>$10,543,104</td>
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<tr>
<td>260 - College of Engineering</td>
<td>$38,471,385</td>
<td>$41,161,299</td>
<td>2,689,914</td>
<td>477,753</td>
<td>$41,639,052</td>
</tr>
<tr>
<td>263 - College of the Environment</td>
<td>$18,003,232</td>
<td>$18,050,357</td>
<td>47,125</td>
<td>223,230</td>
<td>$18,273,587</td>
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<tr>
<td>266 - Graduate School</td>
<td>$1,635,487</td>
<td>$1,706,104</td>
<td>70,617</td>
<td>10,327</td>
<td>$1,716,431</td>
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<tr>
<td>267 - The Information School</td>
<td>$5,839,863</td>
<td>$7,002,336</td>
<td>1,162,473</td>
<td>26,395</td>
<td>$7,028,732</td>
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<tr>
<td>268 - School of Law</td>
<td>$11,451,988</td>
<td>$11,232,314</td>
<td>(219,674)</td>
<td>304,637</td>
<td>$11,536,951</td>
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<tr>
<td>270 - Evans School of Public Policy &amp; Governance</td>
<td>$5,073,245</td>
<td>$5,058,648</td>
<td>(14,597)</td>
<td>237,131</td>
<td>$5,295,779</td>
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<tr>
<td>272 - School of Social Work</td>
<td>$4,543,047</td>
<td>$4,773,336</td>
<td>230,289</td>
<td>352,851</td>
<td>$5,126,187</td>
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<tr>
<td>282 - Undergraduate Academic Affairs</td>
<td>$3,043,616</td>
<td>$2,952,291</td>
<td>(91,326)</td>
<td>39,971</td>
<td>$2,992,262</td>
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<tr>
<td>302 - School of Dentistry</td>
<td>$7,792,679</td>
<td>$7,831,738</td>
<td>39,059</td>
<td>(117,082)</td>
<td>$7,714,656</td>
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<tr>
<td>304 - School of Medicine</td>
<td>$29,505,346</td>
<td>$29,818,937</td>
<td>313,592</td>
<td>994,284</td>
<td>$30,813,221</td>
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<tr>
<td>306 - School of Nursing</td>
<td>$4,585,508</td>
<td>$4,737,004</td>
<td>151,496</td>
<td>65,585</td>
<td>$4,802,589</td>
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<tr>
<td>308 - School of Pharmacy</td>
<td>$6,806,703</td>
<td>$7,193,684</td>
<td>386,981</td>
<td>168,005</td>
<td>$7,361,688</td>
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<tr>
<td>310 - School of Public Health</td>
<td>$11,496,641</td>
<td>$12,595,505</td>
<td>1,098,865</td>
<td>141,166</td>
<td>$12,736,671</td>
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<tr>
<td>Total</td>
<td>$366,424,985</td>
<td>$378,874,881</td>
<td>$12,449,897</td>
<td>$5,933,022</td>
<td>$384,807,903</td>
</tr>
</tbody>
</table>

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

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<th>FY19 Preliminary Incremental</th>
<th>FY19 Projection*</th>
</tr>
</thead>
<tbody>
<tr>
<td>UW Bothell</td>
<td>$55,597,562</td>
<td>$56,934,485</td>
<td>$1,289,291</td>
<td>$1,121,638</td>
<td>$58,056,123</td>
</tr>
<tr>
<td>UW Tacoma</td>
<td>$44,404,723</td>
<td>$45,177,577</td>
<td>$772,854</td>
<td>$1,238,281</td>
<td>$46,415,858</td>
</tr>
<tr>
<td>Total</td>
<td>$100,002,285</td>
<td>$102,112,062</td>
<td>$2,062,145</td>
<td>$2,359,919</td>
<td>$104,471,981</td>
</tr>
</tbody>
</table>

*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”
  - FY12 Supplement = FY11 Permanent GOF/DOF budget - (FY11 Tuition + 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
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?