

Date: August 4, 2016

Subject: Overview of ABB Trends at the University of Washington in Seattle

Activity Based Budgeting (ABB) is a budget model that allocates net tuition revenue to the unit(s) that conduct the activity and generate the revenue. This allocation is done using a predetermined calculation and model created for just this purpose. In addition to the net operating fee portion of tuition, indirect cost recovery is allocated to units based on an approved formula. ABB provides opportunities to align activities with objectives, streamline costs and improve business practices.

In 2009, the Provost created a working group to investigate the possibility of implementing an ABB model. In July 2010, the University executed a soft launch of the model, completing a fully implemented model in time for FY12.

In February 2016, the Provost charged a working group, called the ABB Phase 2 Committee, with providing a formal review of ABB. That group presented its [final report](#), with recommendations, to the Provost in July 2016. In fall 2016, the Provost will choose whether to act on the recommendations. Any approved recommendations will be effective for FY18.

ABB Distribution Principles

Tuition Revenue: 70 percent of net tuition operating fee revenue¹ is distributed to schools and colleges at the UW in Seattle;² 30 percent is retained by the Provost and is used to support basic University functions, including utility costs, strategic investments in academic initiatives, administrative activities and other shared services.

1. Of the 70 percent of **undergraduate** net operating fee revenue that is distributed to units:
 - 60 percent is distributed based on student credit hours.³
 - 40 percent is distributed based on degree majors.⁴
2. Of the 70 percent of **graduate and professional** net operating fee revenue that is distributed to units:
 - 20 percent is distributed based on student credit hours.³
 - 80 percent is distributed based on major enrollments.⁴

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.

ABB Distribution Trends

As can be seen in the attached table, of the *total* FY17 ABB budget for Seattle academic and administrative units (\$1.02 billion)⁵, the majority (65 percent) continues to be held by academic units, while the remainder (35 percent) is held by administrative units. This ratio has remained relatively constant since FY12, with a slight increase in the percentage

¹ Net operating fee revenue represents the actual revenue the UW *receives* once discounts (largely waivers and financial aid) are accounted for.

² 100% of revenue generated by UW Bothell and UW Tacoma is distributed to those units.

³ Student credit hours are attributed to units *not* on the basis of a faculty member’s department, but rather on the basis of the department(s) associated with a course’s responsible curriculum.

⁴ A single major, degree, or curriculum may be attributed to one or more units. For example, a bioengineering major will count as one major for Engineering and one major for Medicine.

⁵ The Seattle academic and administrative ABB budget total does not include central administrative funding, debt service or transfers.

going to academic units. Please note, this ratio is different from the ratio of *distributed* net tuition revenue (described above), under which 70 percent of net operating fee revenue is distributed to academic units and 30 percent is held centrally. Other noteworthy trends described in the table include:

- Every academic unit's ABB budget has increased since FY12.
- Academic units have experienced more budget growth than administrative units, both in terms of real dollars (\$173 million versus \$62 million) and in terms of proportionate growth (36 percent versus 21 percent).
- Of the total combined ABB budget *growth* for Seattle academic and administrative units (30 percent), 74 percent of the growth occurred in academic units, while the remainder (26 percent) occurred in administrative units.
- For administrative units, ABB budget growth (or shrinkage) is largely due to the movement of offices from one administrative unit into another. Examples of this include the Office of the Provost, UW Advancement (i.e. "VP for Development"), and Planning & Management.

Please note, the College Affordability Act ([2ESSB 5954](#)) reduced resident undergraduate tuition in FY16 and FY17, and the state provided funding to backfill the forgone tuition revenue. These funds were distributed to academic units in the supplement category, which is why the total supplement for academic units increased substantially in FY16 and FY17.

Please also note, when ABB was launched, the amount of tuition revenue generated by the College of Arts & Sciences was larger than Arts & Sciences' total ABB budget. This "negative supplement" to Arts & Sciences was finally eliminated in FY16. In the attached table, Arts & Sciences' supplement shows a negative change because their supplement went from a negative number to a positive number. It is important to note that their supplement in fact *increased* by \$22.8 million between FY12 and FY17, as shown in the table.

Further, please note that the negative change in the School of Public Health's supplement is due to mid-year budget revisions that were associated with organizational changes between the School of Public Health and the School of Medicine's Department of Global Health.

Overall Trends in Seattle ABB Allocations

SEATTLE ACADEMIC UNITS	FY12 ¹		FY13 ²		FY14 ²		FY15		FY16		FY17		Total Change			
	Supplement	Total ABB Allocation	Supplement	Total ABB Allocation	Supplement	Total ABB Allocation	Supplement	Total ABB Allocation	Supplement	Total ABB Allocation	Supplement	Total ABB Allocation	Supplement		Total ABB Allocation	
													\$	%	\$	%
BUILT ENVIRONMENTS	1,215,005	8,663,754	1,046,856	9,147,009	1,090,050	8,203,526	1,089,935	10,331,413	1,294,657	11,016,332	1,881,766	12,058,525	666,761	55%	3,394,771	39%
COLL ARTS & SCIENCES*	(8,559,782)	151,526,837	(10,857,946)	162,550,107	(9,659,035)	175,180,750	(7,515,043)	190,890,517	993,744	198,086,258	14,222,615	195,756,926	22,782,397	-266%	44,230,089	29%
FOSTER BUSINESS SCHOOL	2,697,471	22,808,100	2,349,813	24,346,572	2,569,660	26,053,564	2,783,791	28,227,134	4,309,130	32,335,388	6,356,242	33,647,914	3,658,771	136%	10,839,814	48%
COLLEGE OF EDUCATION	4,992,595	10,472,387	4,800,424	11,585,784	4,924,975	12,944,466	5,057,189	14,390,708	5,456,495	15,209,513	6,213,699	16,673,672	1,221,104	24%	6,201,285	59%
COLLEGE OF ENGINEERING	20,533,997	52,908,351	24,709,475	58,262,288	25,310,848	61,573,854	26,585,996	68,212,223	29,150,852	75,450,508	40,438,479	88,527,560	19,904,482	97%	35,619,209	67%
COLLEGE OF ENVIRONMENT	18,604,087	34,898,203	18,145,120	36,571,037	18,821,754	38,974,636	19,815,262	41,677,129	21,587,548	43,709,406	23,361,761	44,947,351	4,757,674	26%	10,049,148	29%
INFORMATION SCHOOL	1,879,717	4,204,453	1,991,440	4,412,023	2,039,888	4,848,237	2,052,872	5,711,877	2,224,580	6,327,775	2,556,678	7,512,992	676,961	36%	3,308,539	79%
SCHOOL OF LAW	4,114,288	14,119,797	3,801,791	15,029,605	3,802,319	15,660,809	3,660,670	15,472,466	4,111,954	15,687,853	4,532,493	16,049,383	418,205	10%	1,929,586	14%
EVANS SCH PUBPOL & GOV	1,295,690	4,266,373	1,214,982	4,830,436	1,125,146	5,281,329	1,380,489	5,737,177	1,524,961	5,806,998	1,701,848	6,223,954	406,158	31%	1,957,581	46%
SCHOOL OF SOCIAL WORK	3,228,123	7,483,346	2,995,541	7,775,477	3,131,081	7,954,676	3,192,648	8,204,633	3,552,840	8,864,363	3,794,589	9,218,458	566,466	18%	1,735,112	23%
SCHOOL OF DENTISTRY	9,597,311	14,455,383	9,532,403	15,540,940	9,621,454	15,959,562	9,335,841	16,275,715	9,737,348	17,200,744	10,180,032	18,427,985	582,721	6%	3,972,602	27%
SCHOOL OF MEDICINE*	38,545,714	111,978,838	39,535,023	119,111,818	41,156,208	121,451,470	41,669,057	127,557,570	66,446,762	139,126,747	76,144,232	151,608,182	37,598,518	98%	39,629,344	35%
SCHOOL OF NURSING	5,607,443	10,242,985	5,754,389	10,782,827	5,785,466	11,102,386	6,128,509	11,719,270	6,546,915	12,260,739	7,049,359	12,755,924	1,441,916	26%	2,512,939	25%
SCHOOL OF PHARMACY	2,736,803	8,447,824	2,524,977	9,784,103	2,583,993	10,045,910	2,593,672	11,244,599	3,062,647	11,801,165	3,358,618	12,581,395	621,815	23%	4,133,571	49%
SCHOOL OF PUBLIC HEALTH*	5,838,944	16,885,185	5,623,750	18,346,416	4,856,711	18,523,776	3,979,198	17,106,458	4,237,823	18,406,705	4,737,500	20,229,268	(1,101,444)	-19%	3,344,083	20%
MEDICAL CENTERS	12,449,885	12,449,885	12,449,885	12,449,885	12,440,036	12,440,036	12,602,188	12,602,188	12,772,844	12,772,844	12,671,733	12,671,733	221,848	2%	2,214,848	2%
ACADEMIC TOTAL	124,777,291	485,811,701	125,617,923	520,526,327	129,600,555	546,198,986	134,412,275	585,361,078	177,011,100	624,063,338	219,201,644	658,891,222	94,424,353	76%	173,079,521	36%
% change over prior year	-	-	1%	7%	3%	5%	4%	7%	32%	7%	24%	6%	n/a	n/a	n/a	n/a
% of Seattle Total	31%	62%	30%	63%	30%	64%	30%	64%	35%	65%	39%	65%	60%	n/a	74%	n/a

SEATTLE ADMINISTRATIVE UNITS	FY12 ¹		FY13 ²		FY14 ²		FY15		FY16		FY17		Total Change ³			
	Supplement	Total ABB Allocation	Supplement	Total ABB Allocation	Supplement	Total ABB Allocation	Supplement	Total ABB Allocation	Supplement	Total ABB Allocation	Supplement	Total ABB Allocation	Supplement		Total ABB Allocation	
													\$	%	\$	%
PRESIDENT	2,423,272	2,423,272	2,470,513	2,470,513	2,714,987	2,714,987	2,862,138	2,862,138	3,035,421	3,035,421	3,319,796	3,319,796	896,524	37%	896,524	37%
ATTORNEY GENERAL	3,287,279	3,287,279	3,293,779	3,293,779	3,303,875	3,303,875	3,311,287	3,311,287	3,377,774	3,377,774	3,619,169	3,619,169	331,890	10%	331,890	10%
PROVOST	5,983,233	5,983,233	6,483,906	6,483,906	6,145,991	6,145,991	16,320,491	16,320,491	15,471,589	17,332,805	26,987,289	28,932,604	21,004,056	351%	22,949,371	384%
PLANNING & MANAGEMENT	4,279,915	4,279,915	4,207,728	4,207,728	4,385,345	4,385,345	4,711,891	4,711,891	5,376,500	5,376,500	25,904,987	25,904,987	21,625,072	505%	21,625,072	505%
VP MINORITY AFFAIRS	6,897,419	7,061,164	6,793,078	6,927,349	6,810,115	6,964,170	7,097,941	7,267,887	7,427,208	7,557,279	7,722,437	7,862,071	825,018	12%	800,907	11%
DEAN OF LIBRARIES	30,252,229	30,527,120	32,477,248	32,756,991	33,315,000	33,579,439	34,396,659	34,656,287	35,793,244	35,969,066	37,398,414	37,562,690	7,146,185	24%	7,035,570	23%
UW FINANCE & FACILITIES*	118,994,819	119,383,319	119,528,474	119,893,556	118,570,038	118,935,120	119,387,418	119,752,500	124,901,326	125,192,979	104,599,152	104,872,746	(14,395,667)	-12%	(14,510,573)	-12%
HUMAN RESOURCES	9,277,437	9,277,437	9,150,106	9,150,106	9,844,535	9,844,535	10,313,736	10,313,736	10,895,347	11,242,093	11,242,093	11,242,093	1,964,656	21%	1,964,656	21%
UW INFO TECH	42,781,180	42,781,180	42,116,339	42,116,339	46,244,688	46,244,688	50,475,377	50,475,377	50,783,142	50,835,005	52,528,895	52,556,015	9,747,715	23%	9,774,835	23%
VP STUDENT LIFE	17,673,911	19,880,661	17,850,408	19,926,844	18,107,306	20,183,742	9,984,583	12,061,019	12,404,191	12,840,995	13,179,730	13,665,754	(4,494,181)	-25%	(6,214,907)	-31%
EXTERNAL AFFAIRS	5,035,176	5,239,926	4,792,775	4,972,262	5,152,776	5,332,263	4,396,955	4,576,442	2,943,222	2,943,222	2,422,028	2,422,028	(2,613,148)	-52%	(2,817,898)	-54%
VP FOR DEVELOPMENT	5,797,857	5,797,857	7,799,493	7,799,493	8,743,172	8,743,172	12,145,344	12,145,344	14,396,365	15,761,044	16,014,082	16,014,082	9,963,187	172%	10,216,225	176%
VICE PROVOST-RESEARCH	7,973,153	10,102,332	9,395,052	11,658,546	10,079,004	12,482,886	10,793,778	13,294,700	11,367,658	13,719,900	11,935,128	14,163,670	3,961,975	50%	4,061,338	40%
COMOTION	772,733	772,733	759,997	759,997	765,939	765,939	789,096	789,096	839,521	841,632	655,103	655,344	(117,630)	-15%	(117,389)	-15%
EDUCATIONAL OUTREACH	2,167,522	2,167,522	2,193,242	2,193,242	2,193,242	2,193,242	2,210,942	2,210,942	2,214,683	2,225,363	2,380,064	2,384,275	212,542	10%	216,753	10%
GRADUATE SCHOOL	3,305,226	6,815,158	2,705,762	6,559,949	2,683,193	6,609,334	3,545,780	8,011,011	5,295,370	8,554,042	5,827,365	9,167,687	2,522,139	76%	2,352,529	35%
UNDERGRAD ACAD AFFAIRS	4,637,603	7,729,459	4,519,256	7,670,688	4,567,962	7,736,964	3,302,460	6,585,562	4,614,777	7,072,436	5,076,292	7,480,025	438,689	9%	(249,434)	-3%
HEALTH SCIENCES ADMIN	9,406,774	12,172,574	11,878,954	14,712,720	11,891,220	15,020,421	12,056,315	14,539,989	12,288,954	14,654,795	13,302,800	15,825,969	3,896,026	41%	3,653,395	30%
UW MEDICINE CB	909,188	909,188	896,023	896,023	896,024	896,024	904,122	904,122	922,615	922,615	968,890	968,890	59,702	7%	59,702	7%
ADMINISTRATIVE TOTAL	281,855,926	296,591,329	289,312,133	304,450,031	296,414,412	312,082,137	309,006,313	324,789,821	324,095,869	337,743,541	344,830,676	358,619,895	62,974,750	22%	62,028,566	21%
% change over prior year	-	-	3%	3%	2%	3%	4%	4%	5%	4%	6%	6%	n/a	n/a	n/a	n/a
% of Acad + Admin Total	69%	38%	70%	37%	70%	36%	70%	36%	65%	35%	61%	35%	40%	n/a	26%	n/a

ACAD + ADMIN TOTAL⁴	406,633,217	782,403,030	414,930,056	824,976,358	426,014,967	858,281,123	443,418,588	910,150,899	501,106,969	961,806,879	564,032,320	1,017,511,117	157,399,103	39%	235,108,087	30%
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¹ The values in the "Setting the Baseline" document were slightly different from those used as the basis for all later adjustments (incremental revenue and true-ups). The difference was due to a financial aid decision that occurred between the publication of "Setting the Baseline" and the publication of the FY12 Regents' budget. To ensure that all ABB documents match, a single "reset" has been done. It is revenue neutral for all units; that is, a tuition revenue reduction is associated with a commensurate increase in the supplement.

² In FY13 and FY14, the negative true-ups for Undergrad Academic Affairs (282) and The Grad School (266) were "forgiven", as they resulted from corrections to curricula, majors, and degrees incorrectly mapped to those two colleges (a problem known at the launch of ABB). The calculation of that "forgiveness" is done here in order to make the appropriate change of that amount from tuition revenue to the supplement for those two units.

³ For administrative units, ABB budget changes are largely due to offices moving from one administrative unit into another. Examples include the Office of the Provost, UW Advancement (i.e. "VP for Development"), and Planning & Management.

⁴ The "Academic + Administrative Total" does not include central administrative funding, debt service or transfers.

*** UNIT NOTES:**

- The College of Arts & Sciences' supplement shows a negative change because it went from a negative number to a positive number. Their supplement in fact increased by \$22.8 million between FY12 and FY17, as shown in the "Total Change - Supplement" column.
- The negative change in Public Health's supplement between FY12 and FY15 is due to mid-year budget revisions that were associated with organizational changes between Public Health and the School of Medicine's Global Health program.
- The increase in the School of Medicine's supplement is primarily because FICR was not included in the SoM's supplement prior to FY16, but was included in FY16 onward (~\$22.2m). Also, in FY17, the SoM received \$7.6M in new state funding for the Family Medicine Residency Network and the WWAMI program in Spokane. This funding is included in the supplement.
- Finance & Facilities' total ABB allocation for FY17 includes \$43,248,037 in budgeted GOF/DOF fixed costs.