

## Central Budget Policies and Assumptions for FY2021 Annual Review Process

Date Modified: 11/20/2019

The following table provides central budget policies and assumptions, which can be used when completing the fiscal reports for the FY2021 Annual Review process. Please note that these central assumptions are generic and, in many cases, imperfect. Please feel free to use modified assumptions in your fiscal projections to more accurately represent what you expect for your unit. Within the FY2021 Annual Review Narrative Survey, you will be asked if, within your projections, you've assumed activity other than the "base planning cases" outlined below. Please clearly identify and briefly explain any assumptions used in your calculations that differ to allow OPB to better understand the drivers you're utilizing to project activity.

Planning Parameter	Description	Assumptions	Resources
<b>REVENUE: General Operating Fund (GOF)</b>			
<b>GOF - OVERALL</b>	<b>GOF is comprised of state funding and tuition revenue.</b>	<b>Please review your unit's allocations in the FY20 ABB Allocation table (linked to the right). You may also wish to review trends specific to your unit in the ABB Trends brief (linked to the right).</b>	<a href="#">FY20 ABB Unit Allocations</a> <a href="#">Review the latest ABB Trends brief here (2020 coming soon)</a>
<b>State Funding</b>	State funding makes up approximately 5% of the UW's overall operating budget. The 2019-21 state operating budget, which was passed by the 2019 legislature, would provide state general funding appropriations of approximately \$397.5 million in FY20 and \$413.8 million in FY21, an increase over the previous biennium (\$351.7 million in FY18, and \$369.3 million in FY19). The legislature will consider supplemental changes to the 2019-21 budget in the upcoming 2020 legislative session, which begins in January. State appropriations are distributed to schools, colleges and campuses according to legislative intent and state law. Funds with no legislative directive, though extremely rare, are available to support the strategic priorities of the University and are distributed by the Provost, in consultation with academic and administrative leadership. □	The state's 2019-21 operating budget included several "provisos" with funding for specific university initiatives and projects in FY20 and FY21. See OPB's 2019-21 budget brief (linked on the right) for details. Assume that the state will not revise its FY20 or FY21 funding for the UW during the 2020 legislative session. Assume that state provisos slated to continue in the biennium will continue, and those set to expire mid-biennium will expire. While the state's 2020 supplemental operating budget may include some new provisos for specific projects in FY20 and FY21, please assume there will be no increase (or decrease) in the state funding that can be distributed broadly to units. Further, while the state's 2021-23 operating budget may include some new provisos for specific projects in FY22 and FY23, please assume there will be no increase (or decrease) in the state funding that can be distributed broadly to units.	<a href="#">FY20 UW Operating Budget</a>
			<a href="#">OPB Brief: Final 2019-21 State Budget</a>
<b>Tuition Revenue</b>	The University allocates new, net tuition revenue to the unit(s) that conduct the activity generating the new revenue. Net tuition revenue is the total of all operating fees charged to students after subtracting waivers, grants, and certain fees. By statute, a specific percentage of tuition fees are credited to the UW Building Account (building fees) and are to be used exclusively for constructing, altering, and maintaining buildings; these funds are appropriated by the legislature. Under ABB, Bothell and Tacoma retain 100 percent of net operating fee revenue. In Seattle, 70 percent of net tuition operating fee revenue is distributed to schools and colleges, and 30 percent is retained by the Provost for basic university functions and strategic investments (Provost Reinvestment Fund, or PRF).	While conversations about ABB and its future state are continuing, please assume: <ul style="list-style-type: none"> <li>• That undergraduate tuition revenue will continue to be distributed 80 percent on the basis of student credit hours (SCH) and 20 percent on degrees, and that the graduate tuition revenue will continue to be distributed 80 percent on the basis of SCH and 20 percent on major enrollments.</li> <li>• That for FY20 and future years, the risk pool stays at 1.5%.</li> <li>• That the "return to aid" policies that dictate, in part, the amount of tuition revenue that is available for distribution will hold for the foreseeable future.</li> </ul> Regular updates to tuition estimates will be posted to the ABB website, linked to the right.	<a href="#">ABB Website</a>

Planning Parameter		Description	Assumptions	Resources
<b>REVENUE: General Operating Fund (GOF), cont.</b>				
<b>Tuition Revenue Subcomponents</b>	<b>Tuition Rate Increases - Resident Undergraduate</b>	Resident undergraduate tuition rates are set by the state legislature. Current policy (2ESSB 5954, 2015) dictates that the operating fee is to increase by no more than the 14-year rolling average of Washington's median hourly wage.	Assume that current state tuition policy for resident undergraduates will be maintained. In recent years, the policy has allowed increases of approximately 2% in each year. In FY20, resident undergraduate tuition increased by 2.4%. Assume that resident undergraduate tuition will increase by 2.4% in FY21 and each year thereafter.	<a href="#">Second Engrossed Substitute SB 5954 (2015)</a>
	<b>Tuition Rate Increases - Campus-wide</b>	Campus-wide tuition categories include nonresident undergraduate tuition and resident and nonresident Graduate Tier I, II, and III. These rates are set through a collaborative process.	Nonresident undergraduate tuition increased by 2.2% in FY18, by 3.0% in FY19, and by 4.4% in FY20. Assume that tuition for non-resident undergraduates will increase by an average of 3.0% per year. In FY18, tuition for Graduate Tiers I and II did not increase, but Graduate Tier III increased by 3%. In FY19, all three Tiers increased by 2.0%. In FY20, all three Tiers increased by 2.4%. For the purposes of this exercise, assume that tuition for all three Graduate Tiers will increase by 2.4% per year in FY21 and each year thereafter.	
<b>Tuition Revenue Subcomponents (cont.)</b>	<b>Tuition Rate Increases - Other Graduate Categories</b>	Tuition rates for other graduate categories are recommended by units owning those programs, and are subject to review through this process and approval by the Board of Regents.	In FY20, rates for other graduate tuition categories generally increased by 2 to 4%. For FY21, please utilize the tuition recommendations that your unit is providing as part of its Annual Review submission. Please assume that Deans will continue to make recommendations for rates in out-years and, when prompted in the FY2021 Annual Review Narrative Survey, please notate the assumptions you are utilizing for FY21-23.	<a href="#">FY20 UW Operating Budget (see pages 41-43)</a>
	<b>Undergraduate Enrollment</b>	Enrollment of tuition-paying undergraduate students across the UW's three campuses in Seattle, Bothell, and Tacoma. An important consideration is that current space constraints limit the University's ability to grow, particularly in areas of high student demand.	The UW's FY20 budget assumed that resident undergraduate enrollment would stay flat at Seattle, grow by 2% at Bothell, and by 4% at Tacoma. For non-resident undergraduate enrollment, the budget assumed a 3% growth at Seattle and flat at Bothell and Tacoma. In FY20 onward, for the purposes of this exercise: <ul style="list-style-type: none"> <li>• At Seattle, assume no undergraduate enrollment growth. However, Seattle academic units should use enrollment assumptions based on their own data/projections. The "Enrollment Summary" dashboard in UW Profiles (linked to the right) can serve as a resource.</li> <li>• At Bothell, assume enrollment growth will follow the campus's agreement with the Provost.</li> <li>• At Tacoma, assume enrollment growth will follow the campus's agreement with the Provost.</li> </ul>	<a href="#">UW Profiles - Enrollment Summary</a>  <a href="#">(click here, if you do not have access to UW Profiles)</a>
	<b>Graduate Enrollment</b>	Enrollment of tuition-paying graduate and professional students across the UW's three campuses in Seattle, Bothell, and Tacoma.	At a high level, assume flat enrollment for all graduate students moving forward. However, as above, academic units should use enrollment assumptions based on their own data/projections.	<a href="#">UW Profiles - Enrollment Summary</a>

Planning Parameter	Description	Assumptions	Resources
<b>REVENUE: Designated Operating Fund (DOF)</b>			
<b>DOF - OVERALL</b>	<b>DOF is comprised of ICR, IO, fees, administrative overhead, and other items.</b>	<b>We assume minimal growth in total, university-wide DOF budget authority in the next 5 years. However, please use local data and insights to customize your assumptions, if needed.</b>	
<b>Indirect Cost Recovery (ICR)</b>	The indirect cost rate is the rate applied to eligible expenses (MTDC) on a grant or contract budget to track the amount the sponsor will reimburse the University to help cover F&A costs. This rate varies depending on the sponsor, the type of research carried out, and the research location. Under ABB, units receive 35 percent of the ICR they generate.	For the purposes of this exercise, assume no changes in ICR or F&A policies or rates in the next four years. Broadly, assume that UW's research grant and contract revenue will increase by approximately 1%-2% per year; thus we assume 1%-2% increases per year in unit-level and central ICR revenue. However, grant and contract revenues will vary widely from unit to unit and year to year so please use local data and insights to customize your assumptions, as appropriate. Please note, as of the publication date, research awards and expenditure activity has been up 5%+ over prior year - therefore it is important that each unit individually consider it's share of the increased activity to date and note changes from this base assumption as appropriate.	<a href="#">ICR columns of the FY20 ABB Unit Allocations*</a>  <a href="#">Facilities and Administration (F&amp;A) - Office of Research</a>
<b>Institutional Overhead</b>	A percentage of self-sustaining units' revenue from the sale of goods and services, charged to recover costs for building use, physical plant operations and maintenance, and institutional support. The institutional overhead rate is applied to revenues associated with these activities. The UW has two institutional overhead rate categories: on-campus and off-campus, determined by the location of the preponderance of effort by each entity. Under ABB, institutional overhead charges are received as revenue to the DOF fund group and distributed back to units as part of the budget process.	Effective in FY17, rates are 15.60% for on-campus, 6.85% for off-campus activities, and 2% for conferences. For the purposes of this exercise, assume no changes in Institutional Overhead policies from FY20 to FY23.	<a href="#">Administrative Policy Statement 33.02 - Institutional Overhead Policy</a>
<b>Miscellaneous Fees</b>	This is a group of fees that contribute to DOF revenue. Some of the fees are charged directly to students such as application fees, library fines, late registration fees and others. Other fees are for such items as trademarks and licensing, insufficient funds for return check fees, staff registration fees, etc.	Assume that existing miscellaneous fees will remain flat for purposes of this exercise, unless you are proposing the addition of a new fee or increase to an existing fee. If you are projecting an increase or decrease in miscellaneous fee revenue, please note this within the FY2021 Annual Review Survey, under the "Central Assumptions Modified" question header.	
<b>Administrative Overhead</b>	These charges reflect a share of centralized administrative services provided by Seattle to UW Bothell and UW Tacoma, and are calculated as 10 percent of GOF revenue for each campus, excluding funds for salary increases and funds for operations and maintenance.	For the purposes of this exercise, assume no changes in Administrative Overhead policies from FY20 to FY23. However, OPB, UW Bothell, and UW Tacoma wish to engage in a review process, which may result in changes.	
<b>Special State Appropriations</b>	General Fund-State (GFS) appropriations are described above. This category pertains to non-GFS appropriations, which are made for purposes specified by the Washington state legislature, and are distributed accordingly.	The state's 2019-21 biennial operating budget provided several targeted provisos for FY20 and FY21. Assume that no additional provisos will be provided as part of the state's 2020 supplemental operating budget (FY20 and FY21) and 2021-23 biennial operating budget (FY22 and FY23). Assume no additional revenue for the out years, and assume no cuts to permanent provisos.	<a href="#">OPB Brief: Final 2019-21 State Budget</a>

Planning Parameter	Description	Assumptions	Resources
<b>REVENUE: Restricted Operating Fund (ROF)</b>			
<b>Grants &amp; Contracts - Sponsored Projects</b>	Revenue for indirect research expenditures is captured above, through "Indirect Cost Recovery," under DOF. This category pertains to revenue for direct research expenditures. It is recognized that research expenditures do not necessarily align when comparing them to expected revenue streams. Typically, grants are not fully expended in the year in which they are received. Further, the vast majority of the University's research expenses are associated with federal grants, which means they are often received and expended in alignment with the federal fiscal year.	Broadly, assume that UW's research grant and contract activity will increase by approximately 1%-2% per year. However, activity will vary from unit to unit and year to year, so please use local data and insights to customize your assumptions, if needed.  Units should utilize local data and insights to customize assumptions for UW's student aid and other type(s) of grant and contract activity, as these pools are diverse and vary widely from unit to unit and year to year.  Please note that grants, contracts, and gifts are included in the report to provide the Provost with a more holistic view of a unit's financial activities. The expenditure amounts provided can be reconciled to FAS for previous fiscal years, however, for purposes of this exercise, revenues have been set to equal expenditures for previous fiscal years, with the exception of "Grants & Contracts - Other". OPB would expect units to apply the same assumption for future fiscal years.	<a href="#">Office of Research's Research Stats &amp; Rankings (please see notes to the left)</a>
<b>Grants &amp; Contracts - Student Aid</b>	This category includes fellowships, scholarships, student loans, state college work study, federal college work study, and misc. sponsored programs.		
<b>Grants &amp; Contracts - Other</b>	This category includes fixed price contracts, program income, clinical medicine, and royalty income.		
<b>Philanthropy or Gifts &amp; Discretionary</b>	Endowment funds and gift income can only be used for the purposes specified by the granting agency or donors, and are distributed accordingly.	Please rely on your unit's local data and knowledge of giving trends to craft appropriate assumptions for your unit. Please consider that the <i>Be Boundless</i> campaign's primary target has been met, though the campaign continues through FY20. As a reminder, a gift assessment fee is now in effect. Please see Administrative Policy Statement (APS) 36.2, which is linked to the right. Please also see the "Assumptions" notes for "Grants & Contracts - Sponsored Projects," above.	<a href="#">APS 36.2 Institutional Gift Assessment</a>  <a href="#">UW's FY20 Operating Budget (see pages 58-59)</a>
<b>Self-Sustaining/Auxiliary Revenues</b>	The University's large, self-sustaining auxiliary business enterprises include UW Continuum College, Housing and Food Services, Intercollegiate Athletics, and Transportation Services. Other units have smaller self-sustaining operations within their larger operations.	Overall, activity grew over the past few fiscal years, but the exact increases varied by unit. Given the variety of activity occurring under this umbrella, please use local data and insights to create your assumptions, as the application of a broad overall growth or contraction assumption is not a feasible method of projecting year over year change.	<a href="#">UW's FY20 Operating Budget (see pages 48-51)</a>

Planning Parameter	Description	Assumptions	Resources
<b>EXPENSES: Benefits, Compensation, FTEs and Operating</b>			
<b>Fringe Benefit Load Rates</b>	Benefits expenditures are largely driven by the legislature's negotiated rates on employer contributions to employee benefits. Payroll load rates are used to charge, or allocate, fringe benefit costs to unit budgets. They vary depending upon payroll classifications (for example, classified, professional, hourly, graduate students). Fringe benefits include Worker's Compensation, Unemployment Compensation, Health Plans, Retirement Plans, Social Security Medicare, and Separation Leave. Each year, Financial Accounting and Management Accounting and Analysis (MAA) use estimated costs to calculate the rates for charging fringe benefits to budgets during the next fiscal year. At the end of the year, the University compares the estimated costs, charged to the budgets, to the actual costs of the benefits, paid by the University, and adjusts the next year's rates accordingly.	Fringe benefit load rate assumptions are pre-populated within the fiscal vitality report templates and should not be modified for purposes of this planning exercise. These rates are high-level, preliminary estimates that are likely to change as more information becomes available throughout the year, including the impact of legislative action. These rates should not be utilized for the purposes of developing grant proposals at this time.	<a href="#">Fringe Benefit Load Rate Website</a>  <a href="#">FY20-23 Fringe Rate Estimates to be used for Annual Review Planning Purposes Only</a>
<b>Compensation - Faculty and Professional Staff</b>	Compensation increases for faculty and professional staff are set by the University and are driven, in large part, by the state's compensation assumptions and compensation funding. The state's 2019-21 operating budget assumed an increase of 2% per year in FY20 and FY21. The state provides partial funding for compensation increases, and assumes the rest will be covered by incremental tuition revenue.	In FY18, FY19 and FY20, the UW implemented 2.0% merit pools for faculty and professional staff. For the purposes of this exercise, assume faculty and professional compensation increases of 2.0% per year in FY21 onward.	<a href="#">OPB Compensation website</a>
<b>Compensation - Classified Staff</b>	Classified staff compensation increases are determined by their collective bargaining agreements (CBAs), which in some cases are subject to approval and funding by the state.	The UW Labor Relations website (linked to the right) has details about these CBAs and about other contracts that are not subject to state approval. Most CBAs for FY20 and FY21 have been negotiated. For the purposes of this exercise, please assume that compensation for classified staff will increase by 2.0% per year in FY21 - 23.	<a href="#">UW Labor Relations</a>
<b>Minimum Wage</b>	Minimum wage is the lowest wage permitted by law or UW policy, in cases when UW policy exceeds the minimum rate established by law.	For the purposes of this exercise, please assume that the minimum wage levels going into effect on 1/1/20 will increase by 3% on 1/1/21 and 1/1/22.	<a href="#">UWHR January 1, 2020 Minimum Wage Increase Announcement</a>
<b>Faculty and Staff FTE Growth</b>	According to the 2014 UW Economic Impact Report, the UW is one of the top five largest employers in Washington, supporting over 79,000 jobs.	For the purposes of this exercise, please assume no FTE change as the base case. If you are forecasting net growth or contraction, you will have the ability to note this within the FY2021 Annual Review Narrative Survey. While the survey does ask specific growth assumption questions for Faculty FTE, please indicate changes from the base case assumption for Staff FTE within the "Central Assumptions" question within the survey.	
<b>Operating Supplies, Services, Travel, etc.</b>	Supplies, materials and services (including travel) commonly utilized in the course of normal business operations.	Generally assume that the cost of supplies and services will increase by CPI, though if your unit is projecting to increase or decrease the usage of supplies and/or services, please take this into consideration when providing a forecast.	<a href="#">City of Seattle Consumer Price Index Forecasts</a> <a href="#">BLS CPI Homepage</a>
<b>Unit Level Impact of Finance Transformation Project</b>	The unit level impact of Finance Transformation reflects the projected costs associated with debt service and ongoing operating expenditures based off of the scope/schedule/budget as presented as an information item to the UW's Board of Regents in November 2019. For planning purposes, please incorporate these assumptions into your projections, but realize that this is a best estimate with the currently known information and is subject to change as the project progresses. Please contact the UWFT Program Team at uwftask@uw.edu for any questions.	Refer to information provided within the documents linked to the right ->	<a href="#">Program Cost &amp; Allocation Basis Narrative (Requires UW NetID)</a>  <a href="#">November 2019 UWFT Cost Allocation Estimate, by Unit (Requires UW NetID)</a>

\*Your unit received ICR details in the "FY20 ICR Detail Files" that Lisa McDonald disseminated in June 2019. If you need this re-sent, please contact Lisa McDonald, lisamcd@uw.edu.