

Date: October 5, 2015

Subject: Overview of Seattle ABB Trends

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.

University leadership will be starting a formal review of ABB during the next fiscal year, with a goal of making any changes effective for FY18.

ABB Distribution Principles

Tuition Revenue: 70 percent of net tuition operating fee revenue¹ is distributed to schools and colleges on the Seattle campus;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* FY16 ABB budget for Seattle academic and administrative units (\$962 million)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 going to academic units. Please note, this ratio is different from the ratio of *distributed* net tuition revenue (described

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.

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 (\$138 million versus \$41 million) and in terms of proportionate growth (28 percent versus 14 percent).
- Of the total combined ABB budget *growth* for Seattle academic and administrative units (23 percent), 77 percent of the growth occurred in academic units, while the remainder (23 percent) occurred in administrative units.
- Academic units that have experienced proportionately more ABB budget growth than other academic units include the College of Arts & Sciences, the Information School, the College of Engineering, the College of the Environment, the Foster School of Business and the School of Pharmacy.
- Academic units that have experienced proportionately less growth than other academic units include the School of Public Health, the School of Law and the Medical Centers.⁶
- 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.

Although not shown in the attached table, the *tuition* component of academic ABB allocations has grown at roughly the same rate as total academic ABB allocations. Thus, overall, the tuition share of total academic ABB allocations is only 2 percent larger now than it was in FY12.

Please note, since ABB was launched, the amount of tuition revenue generated by the College of Arts & Sciences has been larger than Arts & Sciences' total ABB budget. This "negative supplement" to Arts & Sciences has finally been 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 \$9.6 million between FY12 and FY16, 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.

⁶ However, it should be noted that the Medical Centers do not receive a share of the net operating fee revenue.

Overall Trends in Seattle ABB Allocations

SEATTLE ACADEMIC UNITS	FY12 ¹		FY13 ²		FY14 ²		FY15		FY16		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	
											\$	%	\$	%
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	79,652	7%	2,352,578	27%
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	9,553,526	-112%	46,559,421	31%
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	1,611,659	60%	9,527,288	42%
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	463,900	9%	4,737,126	45%
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	8,616,855	42%	22,542,157	43%
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	2,983,461	16%	8,811,203	25%
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	344,863	18%	2,123,322	51%
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	(2,334)	0%	1,568,056	11%
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	229,271	18%	1,540,625	36%
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	324,717	10%	1,381,017	18%
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	140,037	1%	2,745,361	19%
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	27,901,048	72%	27,147,909	24%
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	939,472	17%	2,017,754	20%
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	325,844	12%	3,353,341	40%
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	(1,601,121)	-27%	1,521,520	9%
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	322,959	3%	322,959	3%
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	52,233,809	42%	138,251,637	28%
% change over prior year	-	-	1%	7%	3%	5%	4%	7%	32%	7%	n/a	n/a	n/a	n/a
% of Seattle Total	31%	62%	30%	63%	30%	64%	30%	64%	35%	65%	55%	n/a	77%	n/a

SEATTLE ADMINISTRATIVE UNITS	FY12 ¹		FY13 ²		FY14 ²		FY15		FY16		Total Change ⁴			
	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	612,149	25%	612,149	25%
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	90,495	3%	90,495	3%
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	9,488,356	159%	11,349,572	190%
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	1,096,585	26%	1,096,585	26%
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	529,789	8%	496,115	7%
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	5,541,015	18%	5,441,946	18%
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	5,906,507	5%	5,809,660	5%
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	10,895,347	1,617,910	17%	1,617,910	17%
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	8,001,962	19%	8,053,825	19%
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	-5,269,720	-30%	-7,039,666	-35%
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	-2,091,954	-42%	-2,296,704	-44%
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	14,143,327	14,396,365	8,345,470	144%	8,598,508	148%
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	3,394,505	43%	3,617,568	36%
COMOTION	772,733	772,733	759,997	759,997	765,939	765,939	789,096	789,096	839,521	841,632	66,788	9%	68,899	9%
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	47,161	2%	57,841	3%
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	1,990,144	60%	1,738,884	26%
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	-22,826	0%	-657,023	-9%
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	2,882,180	31%	2,482,221	20%
UW MEDICINE CB	909,188	909,188	896,023	896,023	896,024	896,024	904,122	904,122	922,615	922,615	13,427	1%	13,427	1%
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	42,239,943	15%	41,152,212	14%
% change over prior year	-	-	3%	3%	2%	3%	4%	4%	5%	4%	n/a	n/a	n/a	n/a
% of Acad + Admin Total	69%	38%	70%	37%	70%	36%	70%	36%	65%	35%	45%	n/a	23%	n/a

ACAD + ADMIN TOTAL³	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	94,473,752	23%	179,403,849	23%
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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 The "Academic + Administrative Total" does not include central administrative funding, debt service or transfers.

⁴ 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.

*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 \$9.5 million between FY12 and FY16, as shown in Column X.

*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 Public Health and the School of Medicine's Global Health Department .