



June 11, 2020

Dear Colleagues:

We write to both **inform** you of fiscal year 2021 (FY21) budget decisions to date, as well as **guide** you in your planning efforts as we prepare for further budget reductions. Your leadership during this unparalleled crisis has put our University in a good position to weather the coming prolonged period of financial instability. We will work together, but tough decisions will need to be made at all levels, impacting nearly all corners of our campuses.

This correspondence contains three sections: (1) decisions impacting FY21; (2) planning guidance for FY21, including guidance for unit-level expense control; and, (3) developing guiding principles in preparation for anticipated state budget cuts. We highly encourage reading this letter in full to ensure that you are tracking University-wide budget planning parameters, even those that may fall outside of your primary scope of duties.

Should you have any general questions, please contact Sarah Norris Hall at sahall@uw.edu.

Decisions Impacting FY21

Compensation Decisions

During April and May, 2020, the administration began a consultative process with the Board of Deans and Chancellors (BODC), as well as the Faculty Senate Committee on Planning & Budgeting (SCPB), to identify criteria and ultimately review a draft FY21 faculty salary distribution plan that acknowledged the UW's significant financial losses to date, anticipated reductions in core operating funds, and significant unemployment and severe fiscal distress imposed by the pandemic. After these consultations, and emphatic, consistent recommendations from both SCPB and BODC, Provost Richards proposed a draft plan for President Cauce's review and consideration. Subsequently, President Cauce recommended a faculty salary distribution plan for FY21 to the Board of Regents that acknowledges that our current budget situation does not support any allocation for regular merit increases in FY21.

Subsequently, at the recommendation of the administration, the Board of Regents deemed it necessary for the financial health of the institution to

exercise its authority to forego minimum equal-percentage merit salary increases for faculty in the FY21 academic year. In alignment with this decision, and with the support of BODC and SCPB, the administration chose to extend the same approach to all professional staff. Said another way, there will be no merit increases conducted in FY21 for faculty, librarians, and professional staff. Promotion increases for faculty and librarians will be conducted in FY21.

Compensation of staff who are part of a bargaining unit will follow our collectively bargained contracts with each of our unions, and you should all prepare to accommodate contractual increases per normal practice. Compensation of staff who are classified, but not unionized, will follow state of Washington guidelines.

Benefit load rates (BLR) for FY21 will reflect the impact of decisions made to date. Further to that point, the BLRs will include minor changes related to cost increases for certain benefits, but the largest driver, health benefits, is flat year over year, both in terms of the rate and the 85:15 employer/employee cost distribution. As a result, BLRs applied to your budgets will, for the most part, not significantly increase in FY21, and may in fact decrease for many salary classifications. More information on the BLRs will be [posted to the benefit load rate website](#), once final, at the end of June.

FY21 ABB Allocations: Net Operating Fee (Tuition) and Indirect Cost Recovery (ICR)

In May 2020, OPB provided preliminary ABB allocations for major ABB components; namely ICR and net operating fee, to unit administrators, chancellors and deans. These documents are posted to OPB's [website](#) for your review and planning.

Net operating fee increments and decrements for UW Bothell, UW Tacoma, and Seattle schools and colleges will follow our normal process and formulaic distributions. As OPB has communicated to all parties, we are conservatively projecting undergraduate tuition revenue and applying the 1.5 percent risk pool. For graduate and professional tuition categories, we continue to monitor incoming student confirmations and continuing student registrations for drastic shifts in trends; but we have no plans to adjust individual tuition category projections at this time.

An FY21 ABB allocation table will be produced and posted to OPB's website by July 10, 2020, and encompass projections of net operating fee from tuition, summer quarter, indirect cost recovery, and incremental commitments. Net operating fee projections will be reviewed again in August, and after autumn quarter census in October, after which time OPB will distribute updated FY21 projections, per normal practice.

FY21 Funding Requests

Given the losses we are grappling with, as well as the projected and anticipated losses coming, we are not approving permanent funding requests, with one exception: We are providing limited permanent dollars for student support services. We will provide temporary funds to meet very few of the FY21 requests we reviewed, and the Office of Planning & Budgeting (OPB) will be reaching out to you individually to inform you of those decisions by June 26.

FY21 Allocation Letters

Allocation letters memorializing core operating budget authority will be distributed by July 15 and all budget revisions to claim the increments or decrements noted within the allocation letters must occur by August 21. All non-formulaic allocations of central funds are subject to revision as the University's budget conditions warrant.

Planning Guidance for FY21

First and foremost, it is our expectation that each of you manage resources at a local level to ensure that you meet the most critical needs of our community within the bounds of your budgets and revenues, as applicable.

For those of you responsible for self-sustaining/auxiliary enterprises or service/recharge centers, it is expected that you scale operational expenditures to meet available resources. It is our expectation that you will not create or generate new deficits during a period when University reserves will be constrained and deployed for meeting mission-critical needs. University [policy](#) requires that deficits be cleared within a 90-day window and that a unit unable to do so reach out to OPB to begin drafting a deficit resolution plan. Our commitment to living well within our means stands firm.

Core Operating Budget Planning

Unlike during the Great Recession, our Activity Based Budgeting (ABB) model is in full effect. Net operating fee from tuition will be projected and allocated by OPB; and, OPB will distribute updates on a quarterly basis projecting increments or decrements over our initial projections. Please monitor as needed, and adjust as required, given course-taking and major enrollment/degree activity.

However, now that ABB is in full effect, units should focus on their unit's *state* funding component when modeling core operating budget contraction in general operating funds (GOF).

- UW Bothell and UW Tacoma should focus on the state funding portion of each permanent general operating fund base.
- For Seattle schools and colleges, the state funding component is your unit's

GOF “supplement” (i.e., total permanent GOF less ABB tuition allocation).

- For Seattle administrative units supporting research, students, institutional infrastructure, and compliance, the state funding component is built into your unit’s general operating fund base. For planning purposes, please consider your entire permanent GOF funding base.

As we have discussed, it is prudent that each of you model state funding reductions of 5, 10 and 15 percent of the permanent state funding attributable to your unit, without the use of carryforward funds. We do not expect that you will submit these plans to OPB, since you already modeled 5 percent reductions to your unit’s entire core operating budget base and self-sustaining areas. However, this planning will prepare us to respond to very difficult circumstances when the time comes.

Please note, these suggested reduction planning scenarios do not constitute a decision or a direction by which any reductions would be implemented, rather guidance for the sole purpose of planning.

Controlling Costs

In many ways, we have already communicated the importance of monitoring and limiting costs during this time. These measures include:

- Immediate freeze on all non-essential hiring and direction to leave non-essential vacant positions unfilled;
- Restrictions on non-essential spending, including travel, training, goods and supplies, contracts, food, and equipment;
- Where prudent and possible, re-negotiation of service contracts; and
- Review and constraint of non-core activities that do not directly support instruction, research, and public service missions.

Developing Guiding Principles in Preparation for State Budget Cuts

First, let us acknowledge that our colleagues in many self-sustaining and auxiliary units continue to face swift and relentless revenue losses, and they have had to make very difficult decisions already. In many cases, these efforts won’t be sufficient, and additional help from the state of Washington, the federal government, and others, is required.

So far, we have not yet seen the impact of COVID-19 on core operating budgets to the same extent, though we know the impacts are coming. The next months and years will test us, and there will be no single easy solution to support core instructional budgets. To that end, we will continue to engage faculty and administrative leadership across all campuses in a collaborative and transparent process once the effects of state budget constraints are known and actualized. Though we responded within two weeks to the state Office of Financial Management’s request that we model 15 percent cuts, that response does not replace our ongoing, transparent approach to budgeting that is based on shared governance.

Our [vision and values](#), as well as our commitment to student success and academic quality, will guide us. The Faculty Senate Committee on Planning & Budgeting, the Board of Deans and Chancellors, and the Provost's Advisory Committee for Students will receive briefings as the state budget situation evolves, and they will review and contribute to the framework for decision-making that follows.

Again, thank you for your leadership and collaboration during this unparalleled crisis. As we said in our message to faculty earlier this week, we recognize the sacrifice we are facing. The difficult decisions we will have to make in no way reflect the contributions or excellence of our faculty, staff and students. The University of Washington is truly a world class institution because of all of us – and the teaching, research, innovation and learning we do here. And we will get through this.

Sincerely,



Ana Mari Cauce
President
Professor of Psychology



Mark Richards
Provost and Executive Vice President for Academic Affairs
Professor of Earth and Space Sciences

cc: Faculty Senate Leadership
Unit Administrators
Sarah Norris Hall, Vice Provost, Planning & Budgeting