

BOARD OF REGENTS MEETING

ADOPTED JUNE 10, 2021Approve Fiscal Year 2022 Operating BudgetRECOMMENDED ACTION

It is the recommendation of the administration that the Board of Regents—pursuant to its authority under RCW 28B.20.130, the Bylaws of the Board of Regents, and the Board of Regents Standing Order No. 1—consider and confirm the proposed fiscal year 2022 (FY22) operating budget for the University of Washington. The proposed FY22 operating budget is presented in the attached document, which includes proposed tuition rate recommendations for FY22. It is also the recommendation of the administration that the Board of Regents, pursuant to requirements in RCW 28B.15.120, approve the annual budget for the University of Washington (UW) Department of Intercollegiate Athletics.

In this action item, the Board of Regents, in its sole and independent discretion:

1. Adopts the proposed FY22 operating budget;
2. Affirms the proposed FY22 salary plan for exempt faculty and professional staff as outlined in the FY22 operating budget;
3. Establishes tuition rates for the 2021-22 academic year for all tuition categories;
4. Affirms that the Board of Regents has delegated authority to the President and Provost to implement certain academic fee increases that are consistent with limitations that the Board has specified, are reasonable and necessary;
5. Considers proposed changes to tuition and fee rates in the context of a Cost of Attendance appendix item; and
6. Approves the FY22 budget for the UW Department of Intercollegiate Athletics.

BACKGROUND

This action item presents the University's proposed operating budget for FY22, which begins on July 1, 2021 and ends on June 30, 2022. The FY22 operating budget includes proposed tuition rates and is presented as one comprehensive draft for discussion.

Last year, the preliminary FY21 budget was presented as an “outlook” due to the significant and ongoing uncertainties related to the COVID-19 pandemic. While the most recent state revenue forecast has shown strong economic recovery in

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Approve Fiscal Year 2022 Operating Budget (continued p. 2)

Washington state, the pandemic, and associated economic repercussions, have profoundly impacted both the state in general and the University specifically, and affect almost every facet of our community. Financial information will continue to be provided to the Board on a monthly basis during standing budget updates.

In response to feedback from Regents in recent years regarding the University's operating budget, recent operating budgets each provided more information and context than previous versions for every area of the budget, including budget oversight and policies. The FY22 proposed operating budget builds on the improvements made by further refining the presentation of information and the methodology used to make budget projections. The FY22 proposed operating budget includes:

- An introduction from the Provost;
- An overview of the University's mission and commonly cited facts;
- An executive summary of the University's overall FY22 proposed operating budget;
- Background information to provide context for the University's current budget challenges and mitigating actions;
- Details regarding expected revenue for the General Operating Fund and Designated Operating Fund, which are known together as the University's "Core Academic Operating Budget;"
- Proposed tuition and financial aid recommendations for the 2021-22 academic year;
- A proposed budget for:
 - UW Medicine, including preliminary FY21 financial results and information related to ongoing development of target operating margins for FY22;
 - Auxiliary activities, including projected revenue, expenditures, and ending balances for FY21 and FY22;
 - Gift income and endowment distribution projections for FY22; and,
 - Sponsored research activity, including expense projections for FY21 and FY22; and
- An overview of the processes and policies that guide the University's careful management and distribution of resources.

The University's proposed FY22 operating budget was modified, based on feedback and updated information, and major changes to the information item presented to Regents in May are highlighted for this action item.

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Attachments

1. Proposed Operating Budget, Fiscal Year 2022
2. UW Intercollegiate Athletics, FY22 Proposed Budget
3. FY2022 Proposed Operating Budget (slides)
4. 2021-22 [Cost of Attendance for First-Year UW Undergraduate Students](#) (proposed)
5. UW Medicine: Additional Information Related to Budget Targets (June 3, 2021)

UNIVERSITY *of* WASHINGTON

OFFICE OF PLANNING & BUDGETING

OPERATING BUDGET

Fiscal Year 2022

WE'LL BE BACK

INTRODUCTION FROM THE PROVOST

During my third year as Provost, our University has been tested in ways that were previously unimaginable. When I last wrote this letter, we were just beginning to see the effects of the COVID-19 pandemic on our operations. The University was entering what we now know would become over a year of nearly entirely remote learning, teaching, and research. A transition of this scale and abruptness was unprecedented in the history of the University.

In response, our students, faculty, and staff have been remarkable. We shifted to remote learning more nimbly than we could have imagined, and with only two weeks' notice. Meanwhile, UW Medicine led our state's and indeed the nation's public health response to the pandemic with critical care, research and vaccine distribution to protect the health and well-being of our community. Now more than ever, our University serves as an engine of discovery and hope in our state, region, and world. As such, our annual budget must be carefully tuned to the essentials of our work as a great public university in a troubled time of pandemic, socio-economic disruption, racial reckoning, and psychological distress.

The University of Washington's Fiscal Year 2022 (FY22) Operating Budget is a reflection of collaboration and collective stewardship across and within the University's three campuses and our medical enterprise. Through collaboration with faculty, staff, students, and administrators, the budget development process has allowed us to see the full effect of the pandemic on our revenues. Our revenues in our auxiliary and self-sustaining units, and also in other areas of the budget, have been especially hard-hit, and while we see recovery on the horizon, our current position requires careful planning and difficult decisions. Additionally, the landscape of federal emergency funding and state economic recovery continues to shift rapidly.

This document represents the best information we have at this point to take action on the University's FY22 Operating Budget. Monthly budget performance updates will be provided to the Board of Regents as usual.

PRIORITIES AND KEY FOCUS AREAS

President Cauce's and my top priorities continue to be **academic excellence and access for students from all backgrounds** – "access to excellence" as we like to say. In this year's Annual Review process, we again asked units to explain how they are aligning their unit-level resources with these priorities and with their own strategic plans. Last year, we asked all units to respond to a 5 percent budget reduction exercise, seeking to ensure appropriate planning in the event of a recession. At that time, we had no idea how critical that careful planning would be when we needed to implement anticipatory budget reductions as we were facing significant risk to revenue and state funding at the height of the pandemic. This year, we focused on teaching contributions as a measure to evaluate faculty hiring plans.

The pandemic, along with recent events such as the murder of George Floyd, the growing Black Lives Matter movement, and violence against our Asian & Pacific Islander community members have laid bare the structural inequities and injustices in every facet of our society. It has also made clear just how much work we have to do. President Cauce and I believe that **inclusion and anti-racism** must be a priority for all of us, every day. To this end, we are committed to a long-term effort to align around a shared vision and responsibility to work collaboratively across all three campuses and in our community, including resource deployment across and within our units.

Another top priority is ensuring that we are **responsibly planning and living within our means as we emerge from the COVID-19 crisis**. While the Annual Review process has allowed us to identify potential deficits further in advance, our attention will need to shift to the areas hardest hit by revenue losses, while minding those areas that already faced operational deficits prior to this crisis. We continue to work closely with unit leadership to proactively resolve any overspending, and carefully manage unexpended carryover funds. During the pandemic, we have instituted additional limitations and reviews for all hiring given the significant revenue challenges this year. Given the final compromise state budget compromises for the 2021-23 biennium, it appears that we may be held relatively harmless from a state funding standpoint.

While responding to and recovering from the COVID crisis requires an “all hands on deck” response, we will focus on the foundational priorities of the University. We will continue to promote diversity across all aspects of the University community; to recognize faculty excellence; to keep our students’ well-being, academic experience, and financial needs top of mind; and, to tackle deferred maintenance aggressively. I look forward to working with my colleagues across the UW to make additional strides in these areas over the coming year, despite the challenges we face together.

CONSIDERATIONS

Addressing these priorities requires significant resources, and this year, more than most, we anticipate that available resources will fall short of meeting our high-priority needs. The 2021 legislative session has concluded, but there remains undeniable uncertainty in state revenue forecasts given the ongoing COVID pandemic. We have also spent significant time modeling enrollment projections and other areas of financial risk to the University given these developments. Importantly, given these uncertainties, this document represents a current-state view of the University’s budget for FY22, and notes where uncertainties exist or information is incomplete.

THE BUDGET ITSELF

This document is the vehicle through which the UW Board of Regents reviews, and ultimately approves, the University’s operating budget for the next fiscal year. We publish this document in the interest of promoting a greater understanding of the University’s operating budget and the processes through which it is annually determined. This operating budget incorporates state budget information and revenue estimates for tuition and fees, auxiliary/self-sustaining activities, clinical operations, research grants and contracts, and gifts and endowment distributions.

The budget is meant to give both the Regents and the public a sense of scale for revenue projections, planned uses of our funds, and context for the broad budget of the University as a whole. Not included are carryover fund balances from prior fiscal years, or unit-level expenditures related to grants and contracts. Auxiliary, self-sustaining, and other University units worked closely with the Office of Planning & Budgeting to prepare and submit the information that is included in this publication. Overall, we have made every effort to ensure that the information in this document is as thorough, accurate, and current as possible. By necessity, though, this document represents projections at a given moment in time.

Following this introduction, you will find an overview of the University and its activities, an executive summary of the FY22 budget, and a short guide on “how to read” the remainder of this budget document.

Sincerely yours,

A handwritten signature in blue ink that reads "Mark A. Richards".

Mark Richards
Provost and Executive Vice President
Professor, Department of Earth and Space Sciences

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OVERVIEW OF THE UNIVERSITY

Founded in Seattle in 1861, the University of Washington (UW) is a public research university with campuses in Seattle, Tacoma, and Bothell. The UW is the largest university in the northwestern United States and is one of the oldest universities on the west coast. The University's Adopted Fiscal Year 2021 (FY21) Operating Budget totaled approximately \$8.3 billion, with significant uncertainty due to the COVID-19 pandemic at the time of adoption, and its Consolidated Endowment Fund was approximately \$3.6 billion (as of June 2020). The University employs approximately 40,600 faculty and staff, and 3,800 graduate student employees. The UW's three campuses occupy 344 buildings on 792 acres, with approximately 22.8 million gross square feet of space. When counting all UW-owned buildings such as clinics, hospitals, and research centers, the University's total footprint is approximately 28.1 million gross square feet.

As the state's flagship university, the UW enrolled more than 60,000 undergraduate, graduate, and professional students in fall 2020. The UW Continuum College educates nearly 50,000 students annually via in-person and online degree and certificate programs and continuing professional education programs. The three UW campuses offer a broad range of graduate and undergraduate degrees, and collectively support more than 648 degree options across 319 programs. In 2019-20, the University supported more than 1,000 student-led organizations and provided undergraduate research opportunities for more than 8,200 students. In addition, nearly 5,000 students participated in University-sponsored public service, contributing over 560,000 hours of service to our local, regional, and global communities. In 2019-20, the UW awarded more than 17,900 bachelors, masters, doctoral, and professional degrees.

UW MISSION

The primary mission of the University of Washington is the preservation, advancement, and dissemination of knowledge. The University preserves knowledge through its libraries and collections, its courses, and the scholarship of its faculty. It advances new knowledge through many forms of research, inquiry and discussion; and disseminates it through the classroom and the laboratory, scholarly exchanges, creative practice, international education, and public service. As one of the nation's outstanding teaching and research institutions, the University is committed to maintaining an environment for objectivity and imaginative inquiry and for the original scholarship and research that ensure the production of new knowledge in the free exchange of facts, theories, and ideas.

For the full UW mission statement, please see [Regent Policy No. 1, Role and Mission of the University](#).

FAST FACTS 2020-2021

PROFILE

The University of Washington's three campuses offer more than:

319 programs

648 degree options

Average time to degree is **3.7** years.

81% of entering freshmen graduate within six years.

-3.7% change in freshman applications to all three campuses.

31% of entering freshmen are first generation four-year degree seeking students.

7,982 (19%) of undergraduate students transferred from a Washington State community college.

TUITION

Washington residents undergraduate tuition and fees **\$11,745***

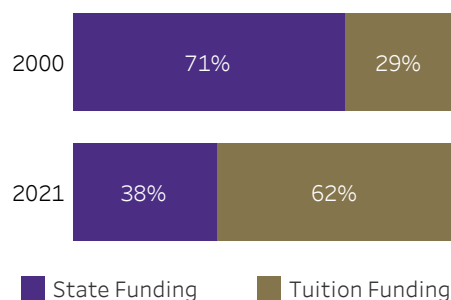
BUDGET

Annual budget: **\$8.33 Billion**

\$1.13 Billion General Operating Fund: supporting the University's academic mission

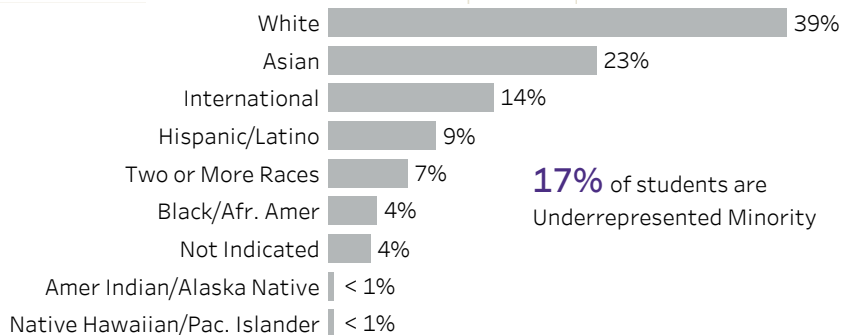
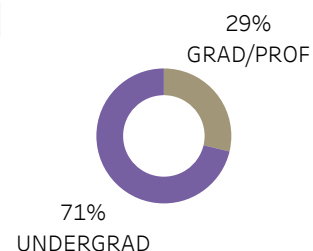
FUNDING

Tuition Revenue & State Funds as % of Total:



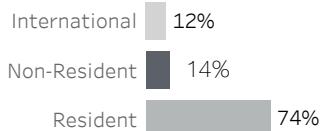
FALL 2020 TOTAL ENROLLMENT

	SEATTLE	BOTHELL	TACOMA	TOTAL
UNDERGRAD	32,827	5,664	4,578	43,069
GRAD/PROF	15,907	662	802	17,371
TOTAL	48,734	6,326	5,380	60,440



17% of students are Underrepresented Minority

UNDERGRADUATE RESIDENCY



50 states are represented at the UW.



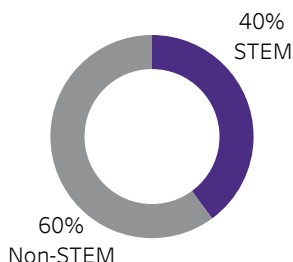
39 of 39 Washington counties are represented at the UW.

DEGREES AWARDED 2019-20

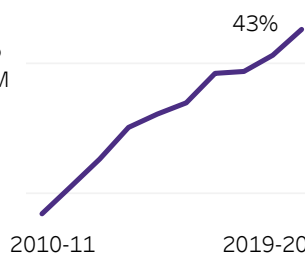
	SEATTLE	BOTHELL	TACOMA	TOTAL
BACHELOR	8,192	1,797	1,517	11,506
DOCTORATE	838		7	845
MASTER	4,334	228	395	4,957
PROFESSIONAL	598			598
TOTAL	13,962	2,025	1,919	17,906

STEM STUDENTS

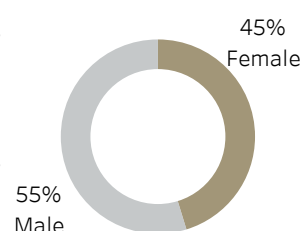
MAJORS



DEGREES



SEX



*Approved total. Due to the COVID-19 pandemic, certain student fees have been temporarily suspended on a case-by-case basis.

PRIDE POINTS 2020-2021

AFFORDABILITY AND ACCESS

- **63% of all UW undergraduates graduate with no known debt**, and those who borrow still graduate with less debt than the national average.
- In 2019–20, **25% of UW undergraduates were eligible for Federal Pell Grant funding**. As of the most recent data (2019–20), more than 11,100 UW undergraduates received Pell Grants — more than at all the Ivy League schools combined.
- In 2019–20, **31% of UW undergraduates from Washington (approximately 10,100) were eligible for the Husky Promise**, which covers the tuition and fees of students with financial need.
- Since the Husky Promise began in 2007, **more than 40,000 students across the UW's three campuses** have received support from the program.
- In 2019–20, about **53% of UW undergraduates received some form of financial aid**, totaling more than \$431 million.
- In 2020–21, the UW is **awarding more than \$106 million in institutional grants and scholarships** to Washington residents.
- In 2020–21, **approximately 14,400 UW students will receive funds from the Washington College Grant**.

AWARDS AND HONORS

- The UW has **18 graduate programs that are in the U.S. News & World Report top five for their fields**, and more than 34 UW graduate programs (including more than 20 STEM programs) among the nation's top 10 in their fields.
- The UW is **one of the best universities in the world, ranked No. 8 globally and No. 2 among U.S. public institutions by U.S. News & World Report**, and No. 16 globally by the Academic Ranking of World Universities.
- The UW's Seattle campus is ranked the **No. 3 public university in the country on CNBC Make It's list of schools that "pay off the most"** and UW Bothell is **No. 1**. Washington Monthly ranks UW Tacoma **No. 4** in its "Best Bang for the Buck — West" rankings.
- The UW has been home to **7 Nobel Prize winners**; 17 MacArthur Fellows; 179 members of the National Academies of Sciences, Engineering, and Medicine; and 183 fellows in the American Association for the Advancement of Science.
- For the 2020-21 academic year, **22 UW graduate and undergraduate students received Fulbright awards**.

RESEARCH AND SERVICE

- The UW receives more federal research dollars than any other U.S. public university; in FY20, the UW received \$1.63 billion in total research awards (federal and non-federal sources).
- The UW is ranked by National Taiwan University as the **No. 1 U.S. public university for scientific papers**.
- According to the 2019 UW Economic Impact Report, **the UW supports or sustains a total of 100,520 jobs** — one out of every 37 jobs in the state, with an annual economic impact of **\$15.7 billion**.
- Over the last five years, CoMotion (the UW's innovation hub) launched **73 new startups and spinoffs**.
- Since the Peace Corps' founding, **more than 3,100 UW alumni have volunteered for service — the third highest rate among universities**.
- According to TechRepublic, **more graduates of the UW than any other U.S. university now work for the world's largest tech companies**.
- The UW is ranked the **No. 1 most innovative public university in the world by Reuters**, which examines scholarly articles and patent applications.

EXECUTIVE SUMMARY: FY22 BUDGET

This document describes the UW's operating budget for the period of July 1, 2021, through June 30, 2022, which is known as fiscal year 2022 (FY22).

The focus of this document is on the University's core operating budget, which is composed of:

- The University's General Operating Fund (GOF), composed of state operating appropriations and tuition revenue; and
- The University's Designated Operating Fund (DOF), composed of other, local revenues that support operations across all University units.

In an effort to provide comprehensive budget information, **this document also includes summarized and contextualized financial projections with the best available data and information for other major areas of the University's operating budget:**

- UW Medicine;
- Auxiliary activities;
- Annual gift and endowment funds; and
- The University's research enterprise.

The Board of Regents will receive additional updates on the financial performance of these areas throughout the year via standalone, detailed items.

For a sense of scale, Figure 1, below, provides a high-level view of each major source of the UW's FY22 resource base, and the share of the total that each source represents.

Figure 1: FY22 Budget Sources by Major Area

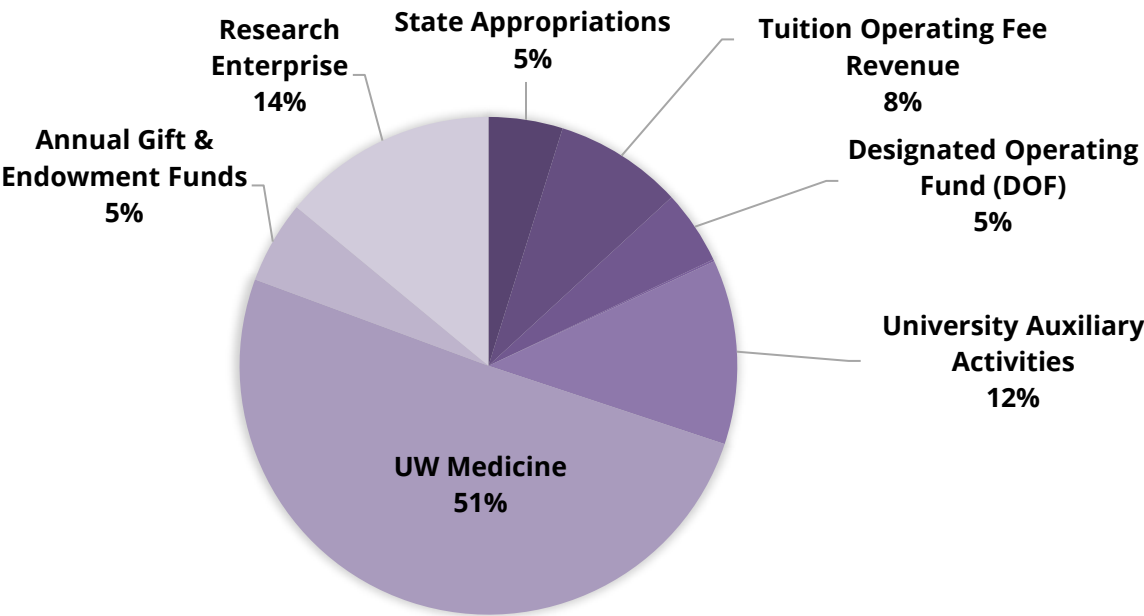
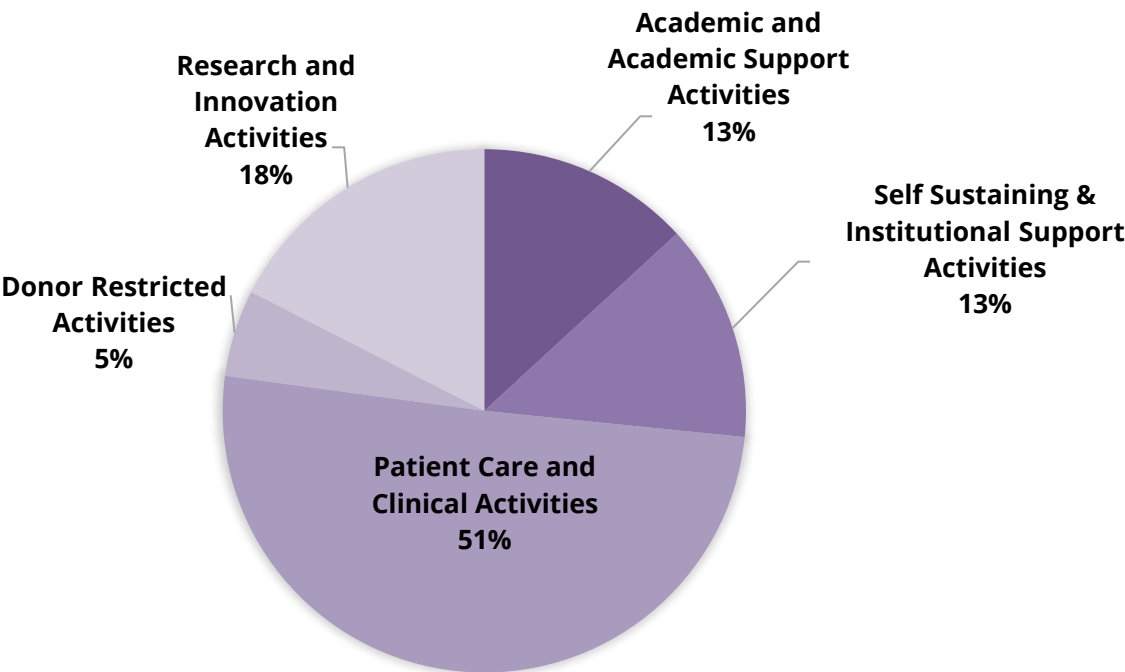


Figure 2, below, shows a breakdown of how FY22 operating resources will be used. State or federal laws dictate some of these uses, while University policies and donor requests determine others. **Overall, a relatively small portion of the University's total operating resources is available to fund academic and academic support activities.**

Figure 2: FY22 Designated Uses of Funds by Activity



The UW's FY22 Operating Budget is projected to total \$8.82 billion, as seen in Table 1 below. Of that total, the University's Core Operating Budget is projected to be nearly \$1.58 billion. As mentioned, the sources and uses of the Core Operating Budget are the primary focus of this document.

Table 1: Full FY22 Operating Budget Sources by Area

Budget by Fund and Category	FY21 Adopted	Incremental Change	FY22 Adopted
Core Operating Budget	1,521,777,000	58,179,000	1,579,957,000
General Operating Fund (GOF)	1,129,447,000	37,889,000	1,167,336,000
State Appropriations	423,093,000	14,278,000	437,371,000
Tuition Operating Fee Revenue	706,354,000	23,611,000	729,965,000
Designated Operating Fund (DOF)	392,330,000	20,290,000	412,621,000
Indirect Cost Recovery	282,170,000	7,051,000	289,221,000
Institutional Overhead	20,799,000	4,506,000	25,305,000
Remaining DOF	89,361,000	8,733,000	98,095,000
State Restricted Funds	11,533,000	(1,061,000)	10,472,000
University Auxiliary Activities	837,725,000	195,524,000	1,033,249,000
Aux. Educational Activities	128,988,000	17,379,000	146,367,000
Other Auxiliary - Seattle	683,373,000	177,354,000	860,727,000
Other Auxiliary - Bothell	14,381,000	274,000	14,655,000
Other Auxiliary - Tacoma	10,983,000	517,000	11,500,000
UW Medicine	4,300,000,000	186,811,000	4,486,811,000
UW Medical Center	1,916,000,000	76,107,000	1,992,107,000
Harborview Medical Center*	1,110,000,000	1,166,000	1,111,166,000
Valley Medical Center	753,000,000	89,680,000	842,680,000
UW Physicians	394,000,000	6,000,000	400,000,000
Airlift NW	55,000,000	5,858,000	60,858,000
UW Neighborhood Clinics	72,000,000	8,000,000	80,000,000
Annual Gift & Endowment Funds	431,000,000	36,000,000	467,000,000
Gift Income	302,000,000	31,000,000	333,000,000
Endowment Distributions	129,000,000	5,000,000	134,000,000
Research Enterprise	1,506,810,000	25,229,000	1,532,039,000
Federal	859,379,000	12,454,000	871,833,000
State and local grants	111,113,000	18,272,000	129,385,000
Nongovernmental	254,148,000	(12,548,000)	241,600,000
Indirect Expenditures**	282,170,000	7,051,000	289,221,000
TOTAL UNIVERSITY OPERATING BUDGET	8,326,675,000	493,631,000	8,820,307,000
<i>Some discrepancies may exist due to rounding.</i>			
* HMC is managed by UWMC, but appears on King County's financial statement.			
** The estimates for "Indirect Expenditures" are included in the "Research Enterprise" totals, but are not included in the University totals, as doing so would double-count the budget for Indirect Cost Recovery, which is part of the "Designated Operating Fund."			

How To Read This Document

Staying true to the research and academic mission of the University, the structure of this document is similar to a research paper:

- First, we explore the University's budget **background**, including the challenges and trends that have led us to where we are today.
- Second, we present current projections for budgetary **results** for each area of the University's FY22 budget:
 - Our Core Operating Budget
 - UW Medicine
 - University Auxiliary Activities
 - Annual Gifts & Endowment Funds
 - Research Enterprise
- Following the conclusion is a review of the University's budget **methodology** (titled "Ensuring Sound Budget Management"), which discusses the processes and policies that guide the University's careful management and distribution of resources.

The full story would be incomplete without an understanding of how we got to where we are, so we recommend that you take a few moments to review the background and methodology. **However, since the results are often the most interesting aspect, you may wish to go straight to page 30, which is where we dive into "Our Core Operating Budget," the first major area of the UW's FY22 budget.**

Please note that **a glossary is available at the very end of the document** to provide a quick reference for acronym definitions.

BACKGROUND

This section articulates the challenges that continue to shape our University's budget going into FY22. Below is a table summarizing the most pressing challenges and the University's response to each.

Challenge	Summary and University Response
1) COVID-19 Revenue Losses and Extraordinary Expenditures	- The University has incurred extraordinary expenditures due to the pandemic, and has refocused significant portions of funding to support pandemic-related impacts to regular operations. - The University experienced significant revenue losses, primarily in self-sustaining auxiliary units like UW Medicine and Housing & Food Services. - We continue to leverage state and federal emergency funding to backstop revenue losses and cover COVID-related expenses.
2) Societal and Campus Climate, and articulation of Diversity Blueprint Goals	- Recent events such as the COVID-19 pandemic, murdering of unarmed Black men and women, and rise in anti-Asian violence have made more visible inequities prevalent in our society and communities. - The University continues to pursue its Diversity Blueprint and Diversity, Equity, and Inclusion goals by supporting University-wide initiatives and unit-level strategies. - At a high-level, administration is implementing an equity lens to analyze and distribute resources to align with these goals. - Anti-racism and equity have been central foci of the 2021 state legislative session, and the University looks forward to complying with and expanding upon relevant legislation passed in Olympia.
3) Deferred Maintenance and Aging Facilities	- The University's growing deferred maintenance backlog is estimated at \$2.9 billion; significantly higher than what is generally considered manageable risk. - Last year the administration developed a long-term capital strategy to guide the formation of capital projects. The first tenet of this strategy is to direct roughly half of our total capital resources to renovation and replacement projects. - As a consequence, most of the planned future state capital requests will be for renewal projects, including seismic improvements, utility repairs, and historic building renovations. - To prevent new construction from adding to the burden, capital funding guidelines now require all new construction projects to have a fully committed source of continuing maintenance, operating, and facility renewal funding.

4) Enrollment Capacity Planning	• Though leveling off in the past few years, the University continues to see student demand in capacity-constrained majors (e.g., STEM and Business). These are often the highest cost majors. • The University is taking steps to align capacity planning with sound resource allocation strategies. • We continue to monitor shifts and adjust enrollment strategy accordingly.
5) Persistent Core Funding Constraints	• State revenue collections continue to improve, but have just now recovered when compared to pre-COVID forecasts. • Despite some recent investments, per student funding levels remain lower than they were before the Great Recession. • In recent years, the state has continued to fund incremental compensation and central service expenses on an unsustainable “fund split” between state funding and assumed new tuition revenue. • Future investments are needed to return to sustainable funding levels.
6) Long-term Compensation Strategy	• Most faculty and professional staff did not receive a merit raise in FY21 due to the COVID-19 pandemic. • Given the state budget situation and COVID impacts on non-state funded unit revenues, compensation decisions for the next two years will be difficult. • Once the budget situation recovers, we expect significant pressure to address compensation needs, especially as the cost of living continues to rise in our region.

In the following pages, each challenge is explored in greater detail. This section concludes with a review of budget trends over the last three biennia.

CHALLENGE 1: COVID-19

The past eighteen months have brought unprecedented challenges to the way the University carries out its mission as Washington’s flagship institution of higher education, research, and healthcare. The effect of this crisis has been significant and widespread across the organization, with no business unit or individual untouched. Significant expenditures have been incurred across the University to maintain the highest degree of public health and safety, as well as to ensure core business operations continue to function in spite of the exceedingly disruptive environment over the last year. Considerable losses in the University’s auxiliary and self-sustaining enterprises have occurred and are expected to continue to occur as the operating environment is expected to remain challenging well after the end of the pandemic.

The UW’s leadership remains committed to both protecting our University community and working diligently to continue to support diagnostic, vaccination, and treatment options in Washington state. While the duration of the COVID-19 pandemic is unknown, and the extent of long-lasting societal effects are unclear, we expect lasting impacts on the way we live, learn, and work.

The effect of this crisis on students is also multifaceted. Our graduating students will transition into a changing and uncertain workforce. Continuing students, many of whom have faced personal challenges or family income losses during the pandemic, will likely transition back to on-campus learning, thus needing more financial and mental health support than ever. These conditions may stack and present truly difficult financial decisions.

Throughout the past year, the University community has been a strong and resilient force in combatting the operational impacts of the pandemic. Rapid shifts in operating conditions have required faculty and staff to remain flexible in the means and methods they deploy to tackle obstacles previously unthinkable. Many units have creatively redeployed or refocused financial and human resources to meet the challenge of largely remote operations within the academy and the extremely challenging work environment within UW Medicine. Further, the University has been fortunate to have received substantial state and federal funding to defray portions of our extraordinary pandemic related expenditures and revenue losses.

Actions taken by the University community include:

- In the best interest of public health and safety, and coupled with state and federal policy requirements, maintained a largely remote learning environment throughout the past year;
- Continued limitations and reviews for all hiring, and continued emphasis on the need to limit spending to only those items that are necessary to fulfil mission critical requirements;
- In consultation with the Faculty Senate Committee on Planning and Budgeting (SCPB) and the Board of Deans and Chancellors (BODC), effectuated a freeze of annual merit increases in FY21;
- Set aside \$1 million to fund an Emergency Pool for Teaching Support (EPTS) to support the unique challenges faculty have faced during these unprecedented times;
- Rapidly deployed state and federal aid to areas most heavily impacted by the pandemic:
 - \$198.5 million from the Provider Relief Fund to UW Medicine
 - \$94.2 million to support public health and safety requirements,
 - \$39.6 million directly to UW students in the form of grant aid,
 - \$23.3 million to auxiliary units within the academy to partially defray revenue losses,
 - \$18.6 million to units within the academy to partially defray extraordinary COVID-19 related expenditures, and
 - \$2.8 million to provide supplemental support to student-facing academic units.

The COVID-19 pandemic is proving to exacerbate and complicate many of the University's ongoing challenges, outlined below.

CHALLENGE 2: SOCIETAL AND CAMPUS CLIMATE

The COVID-19 pandemic, murdering of unarmed Black men and women, anti-Asian violence, and countless other recent events have made more visible the inequities prevalent in our society and communities. Many are calling upon organizations, including the University of Washington, to reckon with its past and current histories and practices that have served to exclude certain populations and limit their ability to realize their full potential.

Diversity, Equity & Inclusion

The University continues to pursue its Diversity Blueprint and Diversity, Equity, and Inclusion goals by supporting University-wide initiatives and unit-level strategies. Those University-wide initiatives include the President's Race and Equity Initiative, the Faculty Diversity Initiative recently announced by the Provost, the campus climate survey, and grants to seed diversity efforts in academic and administrative units (Diversity Seed Grants).

The University also supports unit-level strategies; units in charge of resource distribution, including the Office of Planning & Budgeting (OPB), are implementing an equity lens into funding request forms, and the analysis and distribution of resources.

As a University, we are making several investments in this area, including:

- The Faculty Diversity Initiative, which designates funds to recruit faculty to the Seattle campus whose research, teaching, mentoring service, and outreach will advance the University's diversity goals. Also, a subgroup of the Race and Equity Steering Committee will recommend ways to improve the onboarding process for new faculty, enhance the depth and availability of faculty demographic data, and develop a systematic exit interview process to identify climate issues that have prompted some faculty to leave.
- The Office of Minority Affairs & Diversity (OMA&D) has repurposed a position to create an Education and Training manager who will develop and deliver basic DEI education and training and work with others to coordinate existing efforts taking place across the Seattle campus.
- Many colleges, schools, and administrative units have hired diversity leads at the local level (e.g., Engineering, Athletics, Advancement, etc.).
- UW Bothell and UW Tacoma have elevated their senior diversity roles to Associate Vice Chancellor and Vice Chancellor, respectively.

Gender Equity

The [Title IX Steering Committee](#), appointed by President Cauce in 2015, provides strategic oversight and leadership for the University's work in responding to and preventing sex and gender-based discrimination, harassment, and violence. Despite the significant and ongoing workload presented by the 2020 federal Title IX regulations and the impact of the pandemic on systems, resources, and capacity, the Steering Committee and its three working committees have continued to make progress this past year on three strategic priorities: education and prevention, policy review and improvement, and campus climate assessment. Highlights of this work include a tailored UW-specific online prevention and education course, which is slated to roll out to all new employees and new students in fall 2021; a new policy regarding [officials required to report](#) sexual harassment and sexual violence; and a review of the results of the [2019 climate survey](#) through a gender equity lens to best identify actions that address the intersectionality of all identities—including gender—in the UW's broader diversity, equity, and inclusion work.

Disability Access

In 2020, President Cauce appointed an ADA (Americans with Disabilities Act) & Accessibility Steering Committee to provide ongoing leadership and strategic oversight with regard to the University's efforts to ensure equal opportunity and full participation for all individuals with disabilities. In addition, the University recently published updated ADA Transition Plans for the built environment, which describe the current state

of ADA accessibility on each campus and will guide future actions to ensure access. Lastly, the impact to access for individuals with disabilities during the COVID-19 pandemic illuminated significant accessibility challenges as well as opportunities to create more inclusive learning and working environments. As the University moves towards a return of in-person programs, we hope to continue to build on the accessibility improvements made over the past year to ensure a more inclusive UW environment.

Conclusion

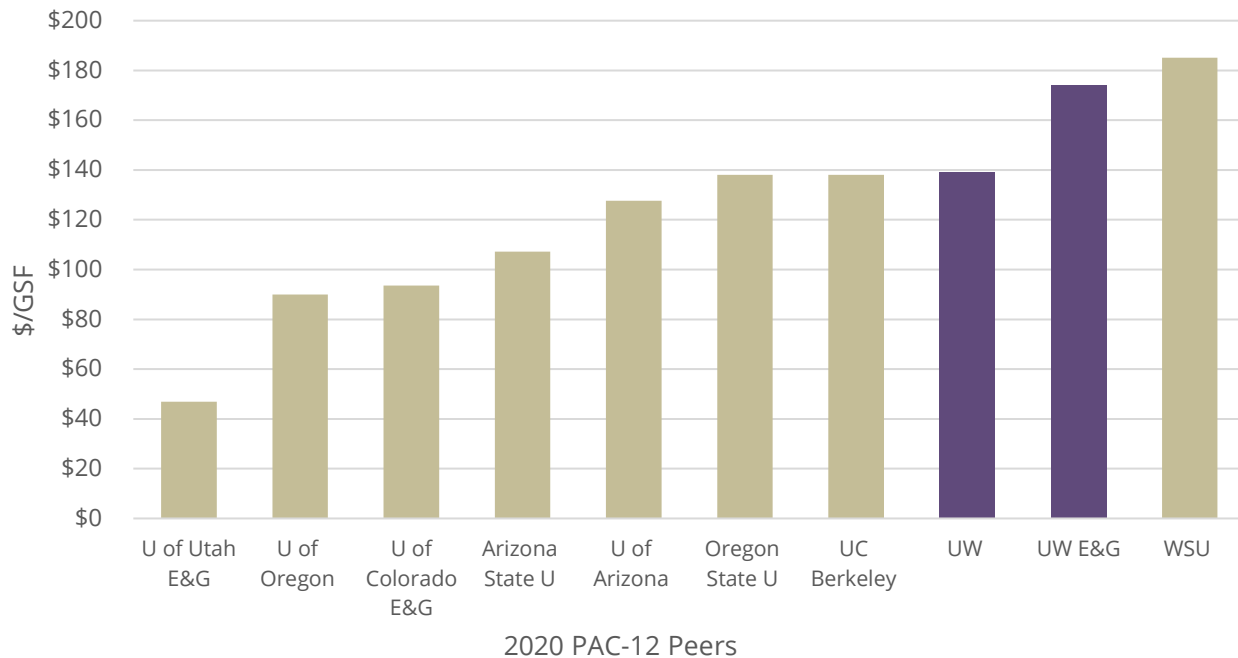
Even with these investments, gaps remain. The University will continue to address gaps as opportunities present themselves, for example:

- Coordination and communication: There are more DEI efforts and initiatives taking place across the campuses than most know. We will continue to improve coordination and communication.
- DEI education and training: While OMA&D has invested in a new DEI position and Professional and Organizational Development (POD) has some offerings, this will not address the need that has been articulated from academic and administrative units across the campuses.
- Accessibility: Findings from the recent campus climate survey reveal that this is an opportunity area for the campuses.
- Access to data: Because of outdated systems and privacy concerns, getting access to data has been a challenge. However, the Office of the Provost has been working to address these issues and there has been recent progress.

Equity and anti-racism work have also been central foci of the 2021 state legislative session, and the University looks forward to complying with and expanding upon relevant legislation passed in Olympia on this topic. Major subject areas have included the expansion of diversity, equity, and inclusion curricula at institutions of higher education and medical schools, and reforms to undo bias in health and law enforcement systems. Throughout the legislative session, experts from around the UW have served as trusted sources for information by leadership in Olympia.

CHALLENGE 3: DEFERRED MAINTENANCE AND AGING FACILITIES

Like many cities, towns, and institutions, the University of Washington is finding its day-to-day operations hampered by a lack of capital investment in its physical infrastructure. While some level of deferred maintenance is manageable (\$80 per gross square foot (GSF) is considered acceptable) the UW's backlog is significantly higher (see Figure 3 below). With an **overall backlog in Seattle approaching \$3 billion**, there is increasing risk of catastrophic failures. Without additional investment, this backlog will grow as deferred maintenance is continually added to the backlog. The widening gap between our deferred maintenance backlog and the deferred maintenance level that is manageable, seen in Figure 4 below, has the potential to severely impact the UW's ongoing operations.

Figure 3: Peer Comparison - Asset Reinvestment Need

Source: Sightline Institute. Note: not all institutions delineate between “E&G” (Education & General) use buildings and “All,” which includes Housing and Athletics in addition to E&G buildings.

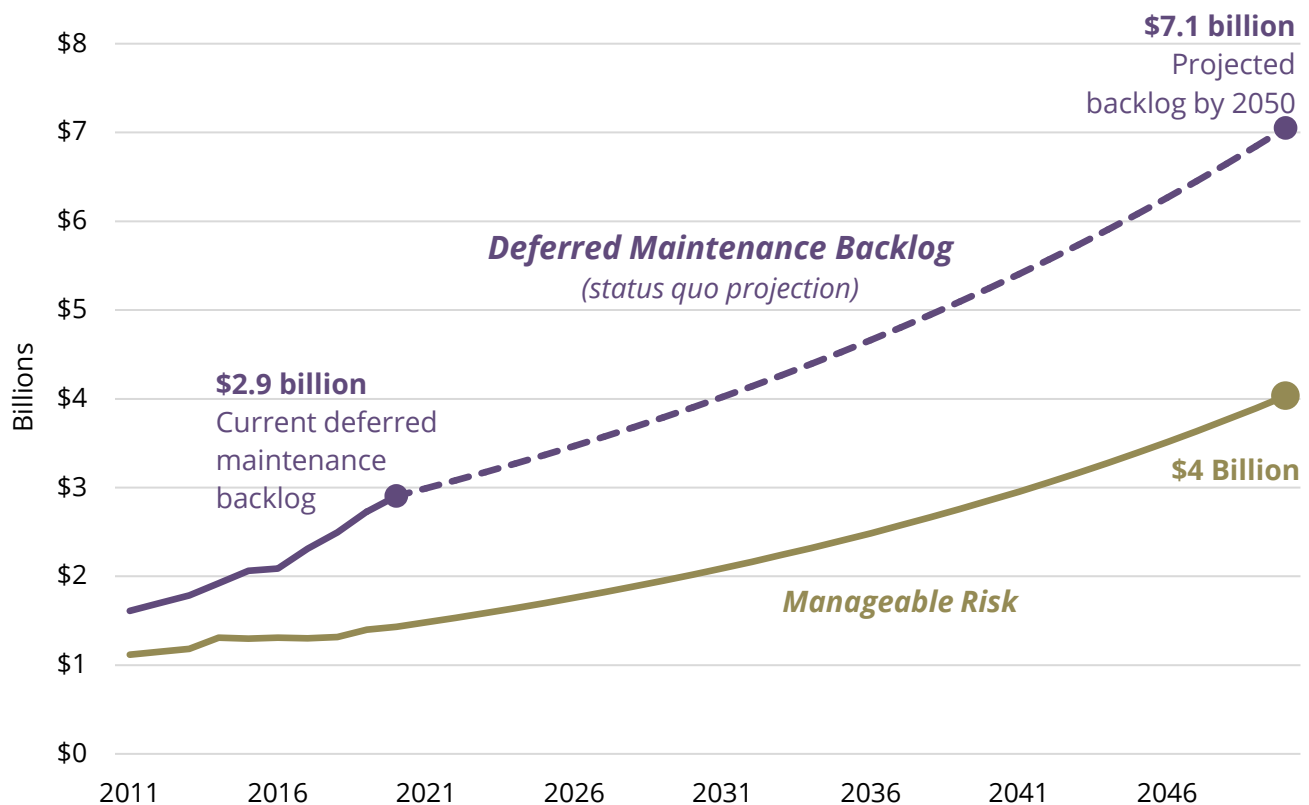
Most critical among these risks is in our **utility infrastructure**. Most of the Seattle campus and the UW Medical Center are heated from an outdated gas-fired boiler plant that delivers steam to buildings across campus. Three of the five boilers that produce this steam are over 50 years old, well beyond their useful life. During the 2020-21 winter, two of these boilers failed simultaneously during cold weather; this was a major reliability risk and near-crisis for the campus and the medical center. To prevent similar occurrences, the UW must spend \$27-30 million on the power plant, which will allow us to focus on a much larger multi-phase recapitalization of the entire system. The intent is to **shift from carbon-based fuels to clean energy**, resulting in a reliable, resilient, and nearly carbon-free utility system.

Another infrastructure issue the UW faces is the need for **seismic upgrades** throughout its building stock. The Seattle/Puget Sound area is one of significant, and only fairly recently recognized, seismic risk – we live along a geologically-active plate boundary that harbors the potential for a magnitude 9 earthquake offshore, and smaller (magnitude 6-8) but potentially damaging earthquakes onshore. Consequently, the UW must accelerate addressing its seismic upgrade plans in a comprehensive and thoughtful way. Several years ago, the UW initiated a multi-year program focused specifically on its greatest seismic risk: unreinforced masonry. These targeted improvements are the first phase. The UW will then need to turn to the next highest risk: non-ductile concrete framed buildings (buildings with unreinforced concrete). This work will require intensive and invasive renovations of our buildings and a significant investment over the next decade.

The size of the deferred maintenance backlog exposes the University to risk of failure across many building systems, results in inefficient use of resources, and exposes us to utility rate fluctuations. The UW has estimated that over \$5 million of recurring yearly utility costs could be avoided with an infusion of \$25-30

million to address specific outdated systems. Most of this work is small “system by system” replacements, but, if done in a coordinated way, could **create savings in operating expenses and reduce our greenhouse gas emissions** by as much as 30 percent.

Figure 4: Deferred Maintenance Backlog - Status Quo Projection



To address these issues, UW Facilities has developed a long-term capital strategy that relies on a four-pronged approach:

- 1. Increase annual capital spending on renovation:** Over the past decade, the UW's capital resources have been directed toward new buildings or complete renovations. We must now attend to the need for annual investment in renewal to prevent the growth of our deferred maintenance backlog. In the last decade, the University's investment in its existing building stock has only been 16 percent of the total need. We aim to reinvest in existing facilities at roughly the same rate as they are deteriorating, curtailing the growth of the backlog. While the 2021-2023 Capital Budget Request includes funding for two new buildings already in process, future capital requests will be focused on the renovation of existing buildings.
- 2. Limit state supported space growth and improve space utilization:** Over the last decade, the University has grown its square footage at a rate of 3 percent per year. This increases the need for annual reinvestment and eventually adds to the deferred maintenance backlog. By focusing sharply on improved space utilization, the University can reduce the square footage growth rate over the next decade and slow down the growth of its reinvestment needs.

3. Fully fund annual maintenance and operations (M&O) and renewal needs for new buildings:

When new buildings are added to the campus, M&O costs increase, yet full funding for these costs is often not provided by the state. This quickly results in increased deferred maintenance as resources are diverted. Capital funding guidelines now require that full funding for annual M&O and renewal be committed *before* beginning any new building project.

4. Increase preventive maintenance: Effective preventive maintenance can extend the useful life of building components, thus slowing the need to replace those components, such as air handling units, pumps, and fans. Increasing preventative maintenance will slow the growth of the deferred maintenance backlog.

Through sustained adherence to these strategies, the University will be able to reduce its deferred maintenance backlog to a manageable level in the next 20-30 years. This will improve the quality of the campus, reduce the risk of catastrophic failures, extend the life of the buildings, enhance health and safety, contribute to meeting sustainability goals, and increase the academic quality through the modernization of deteriorating facilities.

CHALLENGE 4: ENROLLMENT CAPACITY PLANNING

Student enrollment growth is constrained by space and funding issues. Over the past 10 years:

- The University has experienced an annual 2 percent tuition-based enrollment growth;
- The bulk of that growth has occurred at UW Bothell and UW Tacoma;
- The growth rate of undergraduate student enrollment has exceeded that of graduate and professional student enrollment across all three campuses.

Changes in the composition of the student body accompany this enrollment growth, which makes it incumbent on the University to ensure that student support services adjust accordingly.

Looking ahead, we anticipate Seattle enrollments will continue to remain stable as Bothell and Tacoma enrollments level off. More efficient class scheduling, or changes in course delivery, may add some capacity at Seattle, but any overall growth will be minimal.

A significant number of students continue to seek entry into capacity-constrained majors. These majors tend to be the most expensive to teach and the most research intensive, which requires additional space and high-cost equipment. In response, the University is developing an enrollment strategy that better balances enrollment demands and capacities.

The primary areas of applicant interest at the UW are in science, technology, engineering, and math (STEM) fields as well as in our Business programs. Nearly all majors within these areas at the UW are capacity-constrained. Moreover, these degrees cost the University more than other degrees due to higher market salaries, specialized equipment, and technologically advanced learning spaces, labs, and classrooms.

Though STEM enrollment is leveling off, over the last decade, **STEM enrollment grew 45.5 percent among our three campuses** (over 245 percent at Bothell and almost 104 percent at Tacoma), while **non-STEM**

enrollment has grown only 3.6 percent (even decreasing by 3 percent at Seattle). While this aligns with market forces, it means that **almost all of the UW's recent enrollment growth has come in the form of our most expensive and capacity-constrained majors.**

CHALLENGE 5: PERSISTENT CORE FUNDING CHALLENGES

The University's General Operating Fund (GOF), which is comprised of state appropriations and tuition revenue, provides the majority of the support for core educational activity at the University. As such, while it is essential to the University's function, it is highly dependent on the state economy and decisions made by the state legislature. At this point last year, the University was bracing for substantial state budget cuts due to COVID-19. The state budget for the current fiscal year (FY21) was finalized just before the onset of COVID-19 and associated shutdowns and was based on state revenue projections from February 2020.

Following the approval of the University's FY21 budget in June 2020, the state's June 2020 revenue forecast, at the height of pandemic-related shutdowns, predicted an approximately \$9 billion shortfall over the current and upcoming biennium. In other words, the final state budget for 2019-21 (FY20 and FY21), and the cost of that budget continuing into the upcoming 2021-23 biennium (FY22 and FY23), exceeded state revenue forecasts by \$9 billion. Fortunately, state revenue forecasts in September 2020, November 2020, and March 2021 have significantly improved the forecast to the point that revenue projections have essentially returned to the pre-pandemic levels of the February 2020 forecast. It appears that the state has been able to make minor adjustments to the FY21 budget and set a budget for the 2021-23 biennium that avoids any significant reductions to the University's base appropriations.

Despite this stable or positive trajectory of the state budget, the University still faces significant challenges to core funding, detailed below:

State Funding

Like many other state institutions, the UW endured significant state funding cuts in the past decade. Due primarily to state funding cuts during the "Great Recession," the majority of core education funding formerly provided by the state is now borne by students and families. The University must carefully balance its desire to invest in excellence and compete in international, national, and local markets with the reality that revenues will likely continue to be constrained over the next several years.

Important trends appear when examining the UW's core instructional funding (from state appropriations and tuition revenue) per full-time equivalent (FTE) student.¹ Namely, that **tuition increases at public institutions are due, in large part, to a decades-long trend of state budget cuts:**

- In 1991 (FY91), the state provided 82 percent of total funding per student FTE, with students and families responsible for the remaining 18 percent from tuition.
- FY09 was the last year in which the majority of funding per student FTE was provided by the state.
- Between FY09 and FY12, the UW lost approximately half its state funding, while enrolling more students than ever.

¹ Adjusting for inflation and considering tuition revenue from **all** tuition-based students, not just resident undergraduates.

- With updates to FY21 state appropriations and enrollment projections, projected funding per FTE for FY21 is \$22,513, with 37 percent covered by state funding, **leaving 63 percent to be covered by students and families, among the lowest distribution of our peer institutions.**

Recently, the downward trend in state funding per student has slightly reversed due to limitations on resident undergraduate tuition rates (see the “Resident Undergraduate Tuition” section below), as well as additional state investments to backfill foregone resident undergraduate tuition revenue and funding in the 2019-21 biennium to improve the share of state support for compensation and central service expenses.

Please note that this analysis leaves out other revenue sources that the UW increasingly relies on to support core educational operations, including endowment returns, philanthropic gifts, and more. Thus, **tuition and state funding per FTE student is not equivalent to the total amount of expenditures needed to educate each FTE student.**

The UW in Seattle often compares itself to other U.S. News & World Report (U.S. News) Top Public Research Institutions in order to benchmark and check progress. According to FY20 data (the most recent year available) from the Integrated Postsecondary Education Data System (IPEDS), **the UW received less state funding per student than all but five of our 29 other U.S. News peer institutions.**²

While lawmakers were able to provide some new funding for higher education in the 2017-19 and 2019-21 biennia, the majority of the new funding was earmarked for specific purposes and could not be applied broadly to the UW’s core educational operations. The 2021-23 biennial state budget approved recently by state lawmakers would continue this trend, with the vast majority of incremental funding designated for specific purposes like additional safety net support for UW Medical Center (UWMC) and Harborview Medical Center (HMC), additional computer science enrollments, and several other provisos. See the “State Appropriations” section on page 34 for more information.

Lawmakers continue to maintain resident undergraduate tuition policy (described next) which allows for modest, inflationary increases to that rate. Given that state funding and tuition revenue are the primary sources of funding for the University’s academic mission, and due to increasing legislative commitments of tuition revenue, these challenges are significant constraints.

As mentioned previously, the University relies heavily on tuition revenue to support its core academic mission. However, the University is not necessarily able to raise tuition rates whenever state funding, and other revenue sources, are insufficient. This is particularly true for resident undergraduate (RUG) tuition rates, which the state controls and, in recent years, have been frozen or reduced. In addition, although tuition rates for nonresident undergraduate, graduate, and professional students are under the control of the University, our ability to increase these rates in response to funding needs is limited by a variety of constraints and considerations. These challenges are explored in more detail, below.

² UW in Seattle’s most commonly used peer list was derived from the U.S. News Top 25 Public Research institutions over a five-year period. Last updated in 2020, this peer list is updated on a three-year cycle.

Resident Undergraduate Tuition

As with direct state appropriations to the University, state decisions regarding RUG tuition rates can be unpredictable. For the two biennia prior to the Great Recession, RUG tuition rates were allowed to increase by up to 7 percent per year. Here is an overview of recent biennia:

- For the 2013-15 biennium, the state froze RUG tuition at 2012-13 levels. In exchange for the freeze, the state provided \$20 million per year in new funding, acknowledging that operating costs would continue to rise.
- In 2015, the legislature passed [2ESSB 5954](#), which made the following changes for the 2015-17 biennium:
 - For 2015-16, the bill reduced the RUG **operating fee** to 5 percent below 2014-15 levels.
 - For 2016-17, the bill reduced RUG **operating fee** to 15 percent below 2014-15 levels.
 - In accordance with the bill, the legislature provided funds to “backfill” the foregone tuition revenue associated with the RUG tuition reductions.
 - In subsequent years, the policy limits RUG tuition increases to the 14-year rolling average of Washington’s median hourly wage (slightly more than 2 percent per year). The policy also requires annual, inflationary adjustments to the previously provided backfill funds.
- The state has maintained the tuition policy of 2ESSB 5954 (2015) in the 2017-19, 2019-21, and now 2021-23 biennia.
- Unfortunately, RUG tuition freezes and inflationary backfill adjustments do not provide sufficient revenue to address rising costs and fill resource gaps left over from the Great Recession.
- **The constraints on RUG tuition-setting are reflected in comparisons with peer universities.** As previously mentioned, the University uses the U.S. News “Top 25 Public Research Universities” as a peer comparison group when analyzing tuition costs and program rankings. Due largely to the legislatively mandated RUG tuition freeze and RUG tuition reductions, detailed above, the UW’s RUG tuition rate remains low compared to its peers, many of whom increased tuition significantly over the same period. For the 2020-21 academic year, the UW in Seattle’s RUG tuition and fee rate of \$11,745 is \$1,870 *below* the peer average (see Table 2, below).

Table 2: Resident Undergraduate Tuition and Fee Comparison

US News Top 25 Public Universities	2020-21 Resident Tuition & Fees
University of Pittsburgh-Pittsburgh Campus	\$19,678
Pennsylvania State University-Main Campus	\$18,980
University of Virginia-Main Campus	\$18,968
University of Connecticut	\$17,834
University of Illinois at Urbana-Champaign	\$16,862
University of Massachusetts-Amherst	\$16,676
University of Michigan-Ann Arbor	\$15,948
Rutgers University-New Brunswick	\$15,205
Clemson University	\$15,120
University of Minnesota-Twin Cities	\$15,027
University of California-San Diego	\$14,648

University of California-Davis	\$14,597
University of California-Santa Barbara	\$14,406
University of California-Berkeley	\$14,312
Virginia Polytechnic Institute and State University	\$14,100
University of California-Irvine	\$13,753
University of California-Los Angeles	\$13,249
Georgia Institute of Technology-Main Campus	\$12,852
University of Georgia	\$12,080
Texas A&M University-College Station	\$11,772
University of Washington-Seattle Campus	\$11,745
Ohio State University-Main Campus	\$11,518
The University of Texas at Austin	\$11,106
University of Maryland-College Park	\$10,779
University of Wisconsin-Madison	\$10,742
Purdue University-Main Campus	\$9,992
University of North Carolina at Chapel Hill	\$8,980
University of Florida	\$6,381
Florida State University	\$5,666
Peer Average	\$13,615

Other Tuition Categories

RUG tuition is not the only category with tuition-setting constraints. When setting tuition rates for nonresident undergraduates and the many graduate and professional program categories, the University must carefully consider peer comparisons and, especially for graduate students, competitive recruitment and funding for teaching assistant (TA) and research assistant (RA) positions.

The UW's nonresident undergraduate tuition rate increased by 2.5 and 4.4 percent in the last two academic years, compared to the peer mean of 3.0 percent and 1.1 percent in the 2019-20 and 2020-21 academic years, respectively. A peer comparison is shown in Table 3. It is important to note, however, that student fees vary by institution. The UW is currently slightly above the peer mean for nonresident undergraduate tuition rates.

Table 3: Non-Resident Undergraduate Tuition and Fee Comparison

US News Top 25 Public Universities	2020-21 Non-Resident Tuition & Fees
University of Virginia-Main Campus	\$52,945
University of Michigan-Ann Arbor	\$52,266
University of California-San Diego	\$44,402
University of California-Davis	\$44,351
University of California-Santa Barbara	\$44,160

University of California-Berkeley	\$44,066
University of California-Irvine	\$43,507
University of California-Los Angeles	\$43,003
University of Connecticut	\$40,502
The University of Texas at Austin	\$39,322
University of Washington-Seattle Campus	\$39,114
University of Wisconsin-Madison	\$38,630
Texas A&M University-College Station	\$38,394
Clemson University	\$38,112
University of Massachusetts-Amherst	\$36,964
University of Maryland-College Park	\$36,891
University of North Carolina at Chapel Hill	\$36,159
Pennsylvania State University-Main Campus	\$36,044
University of Illinois at Urbana-Champaign	\$34,312
Georgia Institute of Technology-Main Campus	\$33,964
Virginia Polytechnic Institute and State University	\$33,800
University of Pittsburgh-Pittsburgh Campus	\$33,706
Ohio State University-Main Campus	\$33,502
University of Minnesota-Twin Cities	\$33,325
Rutgers University-New Brunswick	\$31,987
University of Georgia	\$31,120
Purdue University-Main Campus	\$28,794
University of Florida	\$28,659
Florida State University	\$18,796
Peer Average	\$37,560

Similar to nonresident undergraduate tuition, increases to graduate and professional tuition rates must be considered alongside peer comparisons. A variety of peer analyses are available on the Office of Planning & Budgeting (OPB) [Tuition & Fees Peer Comparison](#) webpage under “U.S. News Top 25.” When a UW academic unit makes a recommendation to increase certain graduate and professional tuition rates, it must also provide market analyses and additional justification for the proposed rate changes.

The University collects these tuition recommendations and justifications each year through the annual unit budget submission process. Submissions for FY22 and prior years can be found on the [Annual Budgets](#) tab of the OPB website, and FY22 tuition recommendations are summarized on page 37 of this document.

Graduate and professional tuition rates must also contemplate competitive recruitment and funding for TA and RA positions. Many students, primarily PhD students who serve as TAs or RAs, have their tuition waived or funded by the University as part of their compensation. Therefore, raising tuition in these categories affects our ability to recruit high quality graduate students in a competitive market, and affects academic units’ ability to offer TA and RA positions because units often cover the cost of tuition for these students

through general funding and research grants. Given the ongoing uncertainty regarding federal funding, it is especially critical for the UW to be mindful of these issues.

CHALLENGE 6: COMPENSATION

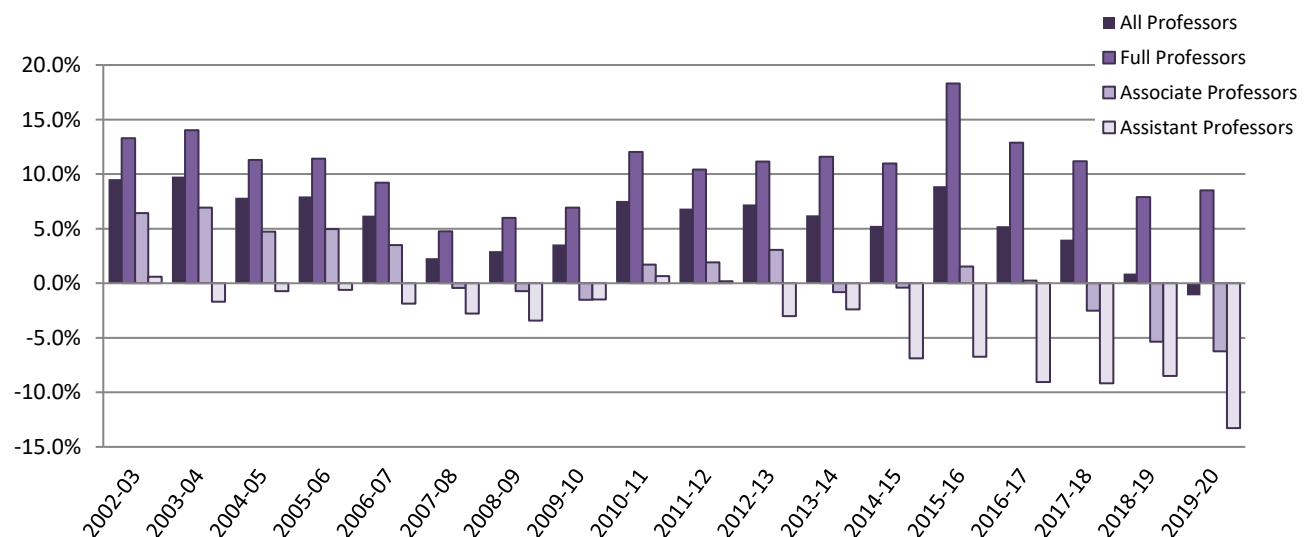
In recent years, our top priority was to secure more state funding for compensation to align with the other public state colleges and universities. For context, following the recession, the legislature provided only approximately one-third of the permanent funds needed to support the state's authorized compensation increases for faculty and staff paid via General Operating Fund (GOF) revenue. As a result, the UW has had to rely disproportionately on new, incremental **tuition** revenue to cover the remaining two-thirds of the cost. As this document has described, the UW's ability to generate new, incremental tuition revenue is highly constrained. Thus, this funding model is unsustainable.

The state's 2019-21 biennial operating budget provided "foundational support" to increase the share of state funding for new GOF compensation and central service changes in FY20 and FY21. However, state revenues were severely impacted by the COVID-19 pandemic, and many faculty and staff did not receive salary increases in FY21. It appears that the state will allow for some compensation funding for increases that were not implemented to continue into the new biennium, but the state budget for FY22 and FY23 does not fund any new salary increases over the upcoming biennium. See the "State Appropriations" section on page 34 for more information.

It is important to note that for staff funded through self-sustaining, clinical, or other business-type activities, revenues must increase sufficiently to offset salary and benefit increases. In other words, the state provides no funding to implement its compensation assumptions for employees paid on non-GOF sources. Because of this, **it is critical for the University to consider compensation decisions in the broad context of the University's overall financial condition.**

Faculty salaries have long been a topic of analysis. Figure 5, below, provides Seattle tenured/tenure-track salary average compared to the US News peer average over the past ten years.

Figure 5: UW Seattle Faculty Salary Average Gap to US News Top Public Research University Peer Average



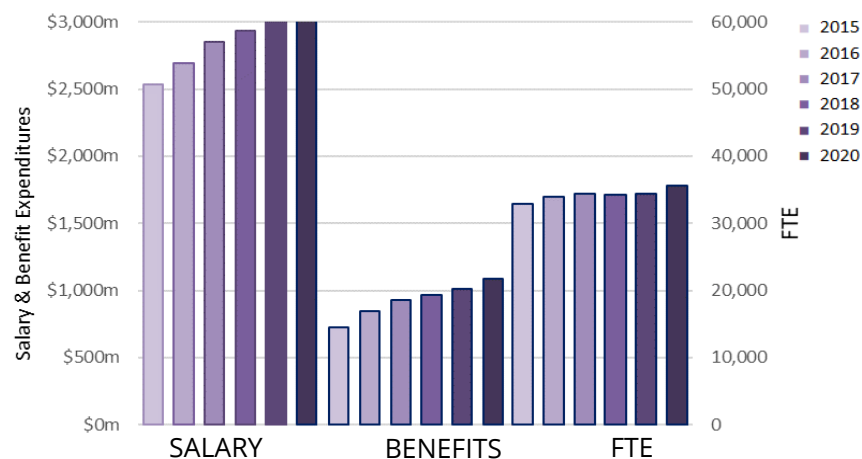
In the past ten years, the University's gap to peer salaries for tenured and tenure-track faculty has been reduced. According to data from the American Association of University Professors (AAUP), in 2011-12, the University's average tenure/tenure-track salaries were 6.8 percent behind the comparison group. These comparisons, however, differ significantly by rank. At that time, assistant, associate, and full professors were behind the comparison group by 0.2 percent, 1.9 percent, and 10.4 percent, respectively. As of 2019-20, the University's average salaries are 1.1 percent ahead of the comparison group, with assistant and associate professors ahead of the comparison group (by 13.3 percent and 6.2 percent, respectively), but full professors remaining behind the comparison group by 8.5 percent. As our junior faculty move into the full professor ranks, this balance will become unsustainable unless our GOF revenue trends improve.

The FY22 salary plan is covered in the "Compensation" section on page 32.

BUDGET TRENDS OVER THE LAST THREE BIENNIA

As shown in Figure 6 below, salary and benefit expenditures have continued to climb over the past six years, although there has been little increase in total full-time equivalent (FTE) employees. Growth in salary and benefit expenditures are primarily due to the continual increase in health benefit rates and the fact that the University has provided moderate salary increases in recent years. Despite the moderate salary increases, however, competitive compensation continues to be a significant challenge for the UW.

Figure 6: Trends in Compensation Expenditures and FTEs Over Six Years (from all fund types)



Sources: FTE numbers come from the "Budget Activity Detail" table in the ODS database in EDW. Salary and benefit information was obtained from the financial database expenditure data.

Since its implementation, Activity Based Budgeting (ABB) has driven other budget trends. From FY12 to FY21, Seattle academic units have continued to experience more budget growth than administrative units, both in terms of real dollars (almost \$273 million versus \$122 million) and in terms of proportionate growth (58 percent versus 40 percent) – that is, academic unit/program costs have been growing faster than central administrative costs at the UW, confirming that we have been running an increasingly-lean administrative organization. In FY21, Seattle academic units received 63 percent of the permanent Core Operating

Resources going to Seattle, while Seattle administrative units received 37 percent.³ All the while, it is important to acknowledge that a growing emphasis on accountability and transparency increase administrative expenditures necessary for critical compliance efforts like Title IX, grant and contract award compliance, and public information requests.

These data illustrate the UW's sustained prioritization of academic activities over administrative functions. Further, this clear differentiation is not an artifact of one year's budget process, but rather, sustained investments in the UW's academic mission.

Further, please note that administrative functions include many student- and research-facing units. Administrative units include the Libraries, the Graduate School, Undergraduate Academic Affairs, Student Life, Minority Affairs and Diversity—which have clear obligations to students, faculty, and staff—and central administrative units that focus on compliance, operating and capital planning, finance, and human resource functions, to name a few.

Every year, we continue to refine the ABB model, which includes reviewing how base, permanent budget allocations are distributed to all units. Such efforts aim to minimize financial duress to individual units and recognize circumstantial changes in tuition revenue distribution and program delivery, while ensuring that the University as a whole is financially stable.

³ Please note, this ratio is different from the ratio of distributed net tuition revenue, under which 70 percent of net operating fee revenue is distributed to academic units and 30 percent is held centrally.

OUR UW CORE OPERATING BUDGET

Critical to the academic and research mission of the University, our core operating budget is composed of state appropriations, net tuition revenue, cost recovery from grants and contracts, overhead from self-sustaining activities, summer quarter tuition and other, local resources. "Core Funds" are the University's General Operating Fund (GOF) and Designated Operating Fund (DOF).

The tables below show FY22 core operating revenues reflecting state legislative compromise budget for the 2021 supplemental budget (affecting FY21) and the 2021-23 biennial budget (affecting FY22 and FY23). Table 4, below, shows the adopted FY22 core operating budget, as estimates currently stand, compared to the University's adopted budget for FY21.

Table 4: FY22 Projected Sources of Core Operating Funds as of June 1, 2021¹

	FY21 Adopted	Incremental Change	FY22 Adopted
Total Core Funds	1,521,777,000	58,179,000	1,579,957,000
General Operating Fund:	1,129,447,000	37,889,000	1,167,336,000
State Appropriations	423,093,000	14,278,000	437,371,000
Tuition Operating Fee Revenue	706,354,000	23,611,000	729,965,000
Designated Operating Fund:	392,330,000	20,290,000	412,621,000
Indirect Cost Recovery	282,170,000	7,051,000	289,221,000
Institutional Overhead	20,799,000	4,506,000	25,305,000
Administrative Overhead	9,829,000	460,000	10,290,000
Summer Quarter Tuition	59,982,000	3,537,000	63,519,000
Investment Income	9,000,000	3,900,000	12,900,000
Provost ILP Risk Fund	2,100,000	0	2,100,000
Miscellaneous Fees	8,450,000	836,000	9,286,000

¹ Due to rounding, there may be discrepancies reflected above

Table 5, below, offers a different view of incremental resources projected to be available to the University in FY22, comparing FY20 actuals, FY21 forecasts, and FY22 adopted budgeted values. This view is intended to provide a more nuanced approach to truly expected incremental resources as opposed to Table 4, which reflects budget increments over the FY21 budget.

Table 5: FY22 Projected Sources of Core Operating Funds as of June 1, 2021

	FY20 Actual	Increment	FY21 Revised Forecast	Increment	FY22 Adopted
Total:	1,531,642,000	34,156,000	1,565,798,000	14,159,000	1,579,957,000
General Operating Fund:	1,100,105,000	47,735,000	1,147,841,000	19,495,000	1,167,336,000
State Appropriations	396,798,000	24,406,000	421,204,000	16,167,000	437,371,000
Tuition Op. Fee Rev.	703,307,000	23,329,000	726,637,000	3,328,000	729,965,000
Designated Operating Fund:	431,536,000	(13,580,000)	417,957,000	(5,336,000)	412,621,000
Indirect Cost Recovery	275,971,000	7,256,000	283,226,000	5,995,000	289,221,000
Institutional Overhead	30,897,000	(5,792,000)	25,105,000	200,000	25,305,000
Admin. Overhead	9,912,000	(115,000)	9,797,000	493,000	10,290,000
Summer Qtr Tuition	59,982,000	16,393,000	76,375,000	(12,856,000)	63,519,000
Investment Income	44,304,000	(32,131,000)	12,173,000	727,000	12,900,000
Provost ILP Risk Fund	2,100,000	0	2,100,000	0	2,100,000
Miscellaneous Fees	8,371,000	809,000	9,180,000	106,000	9,286,000

¹ Due to rounding, there may be discrepancies reflected above.

PLANNED DISTRIBUTION OF CORE OPERATING FUNDS

This section describes how the University uses its core operating resources. The use of these funds follows an “order of operations” that is driven by restrictions on the funds and internal policies, such as those noted in the “Budget Policies and ABB Distribution” section on page 70. That order of operation is generally as follows:

- First, many of the core operating resources must be used in accordance with legislative directives, which are described in more detail in the “State Appropriations” section on page 34.
- Second, two distributions are made back to units:
 - A portion of **indirect cost recovery (ICR)** revenue from research activities is distributed back to provide unit-level support for those research activities. More information about ICR is available in the “Designated Operating Fund (DOF) Distribution” section on page 71 and the “Designated Operating Fund (DOF) Budget” section on page 40.
 - A portion of **tuition revenue** is distributed back to units to support core academic functions, including faculty compensation. Please see the “Tuition Revenue & Recommendations” section on page 37 for more information.
- It is important to emphasize that our ABB method formulaically corrects for over/under budget to actuals for the majority of our core operating budget. Thus, reductions in funding will follow formulae, and additional adjustments will be needed to correct for changes in state appropriations.

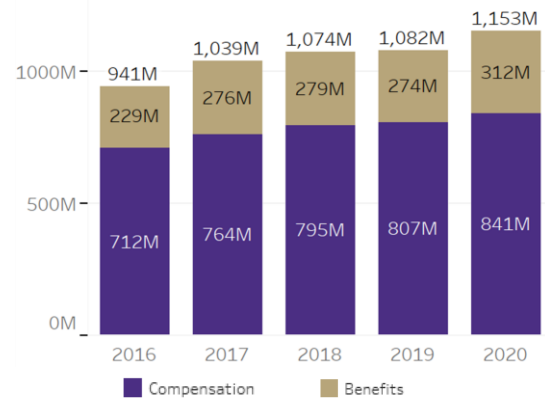
COMPENSATION

Compensating the UW's dedicated faculty and staff is a priority of the administration, and this priority must follow from a consultative process with the Board of Deans and Chancellors (BODC) and the Faculty Senate Committee on Planning & Budgeting (SCPB). Throughout April and May, the Provost engaged with both bodies to formulate recommendations for a salary distribution plan, including opportunities for input into the criteria to consider in formulating the plan.

Leading up to formulating the FY22 budget, the President, Provost, and the Office of Planning & Budgeting continued the established process of analyzing multi-fund, multi-year financial forecasts for every unit on all three campuses. See Figure 7 for compensation and benefit trends. Based on the state legislature's assumption that general wage increases for UW employees originally intended for FY21 would be delayed until FY22, and after the consultations that occurred in April and May, **this budget**

authorizes a 2 percent merit pool for certain non-represented employees (faculty, professional staff, academic staff, and classified non-union employees) in FY22.

Figure 7: Compensation & Benefit Expenditures on Core Funds



Over the trailing five-year period (FY16 to FY20), compensation on core funds grew at a 4.25 percent compound annual growth rate (CAGR), from \$711.2 million to \$841 million and benefit expenditures on core funds grew at an 8.0 percent CAGR, from \$229 million to \$311 million.

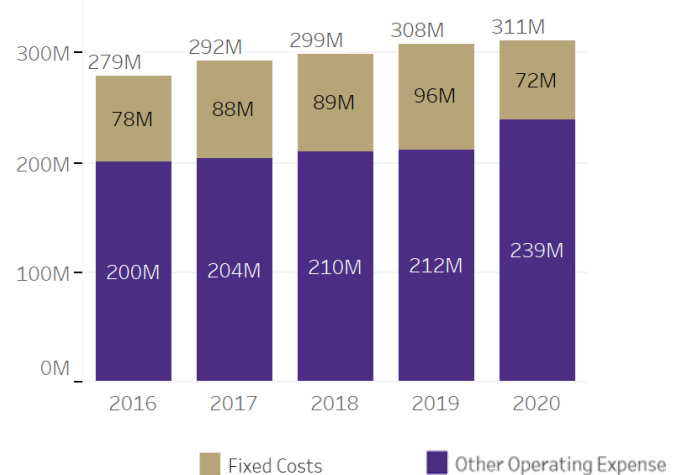
GENERAL OPERATING EXPENDITURES

To support the general operations of the University, units use core funding for a variety of purposes. This includes:

- Procuring materials and supplies;
- Contracting for services, facility and equipment rentals;
- Business travel expenses; and
- General costs related to the execution of the UW's mission.

In addition, the University utilizes core funding to support "fixed costs," which refer to costs incurred by the University that are necessary or unavoidable but are not generated by a particular unit. In some cases, these costs are truly "fixed," but in others, costs are variable and dependent on certain activities occurring or consumption levels. The largest fixed cost budget items are for utilities,

Figure 8: General Operating Expenditures on Core Funds



Over the trailing five-year period (FY16 to FY20), non-compensation expenditures on core funds grew at a 2.79 percent CAGR, from \$279 million to \$311 million.

such as electricity, fuel, power plant, sewer, etc. Other fixed costs include back-up childcare and eldercare support, student and employee disability accommodations, University risk financing, Office of Financial Management (OFM) and other central service charges from the state, and many others. Many fixed costs are driven by economic factors and legislative decisions outside our control. In the utility sector, changes to rates are not always known at the time a budget is constructed. In addition to rate changes, utility expenditures are also affected by new buildings coming online and efficiency measures implemented across the institution.

In FY21, the University reclassified certain categories of expenditures from the “fixed cost” grouping (reflected in gold in Figure 8) to non-fixed costs (reflected in purple in Figure 8), hence the apparent decline in fixed cost expenditures and growth in non-fixed cost expenditures. As noted previously, the majority of budget authority distributed out to Seattle units under ABB has been used to cover compensation related costs, requiring units to reduce other expenditures against their core funds incrementally over time, as a percentage of total core operating budget utilization.

PLANNED CORE OPERATING FUND INVESTMENTS

Contemplated in the FY22 core academic operating budget are permanent allocations to UW administrative and academic units to carry out activities ranging from legislatively mandated projects to activities that broadly support the tri-campus community to compensation funding for our employees.

Compared to FY21, the core academic operating budget *base* for FY22, prior to consideration of new incremental resources, is expected to be reduced by approximately \$14.4 million as a result of certain legislative actions, including, but not limited to, the expiration of one-time state compensation and proviso funds and the passage of new one-time supplemental funding for UW Medicine that was required to be utilized in FY21.

After contemplating this adjustment to the budget base for FY22, the majority of new funding, more than \$30 million, is associated with legislatively mandated activities and are included in the FY22 budget as state provisos. The next largest distribution of core academic operating funds is the allocation of budget authority to University units on an Activity Based Budgeting basis, as described on page 70 (approximately \$18 million to academic units, UW Bothell and UW Tacoma, with the balance, approximately \$6 million, available for distribution in the Provost Reinvestment Pool). Other permanent distributions, such as investments in the student experience and academic support, include funding for the Disability Resource Center, conversion of temporary to permanent funding for the Office of Minority Affairs and Diversity and continued support of our veteran students through mechanisms such as the Gold Star Family stipend program, and certain legislatively authorized fee waivers for veterans.

Further uses include permanent investments necessary to sustain key University operations, including:

- \$2.4 million to support ongoing compliance and risk mitigation activities;
- \$2 million to support the anticipated impacts of utility rate and utilization increases as the campuses begin to return to pre-pandemic operations;
- \$1.6 million dedicated to sustaining the strength of the University’s research and scholarly infrastructure;

- \$1.2 million to provide the ongoing operational support necessary for maintaining a safe and clean environment within our campus facilities; and
- \$1.2 million to support anticipated increases to centrally managed costs, such as banking and management fees charged by external vendors.

In response to the crucial Enterprise Risk Management work performed over the past year, the FY22 budget plan contemplates uses of central reserve funds to address University strategic priorities and to make further progress on addressing the University challenges referenced starting on page 14. Such one-time investments of reserves include \$21.5 million to mitigate the University's deferred maintenance backlog, including critical ADA remediation work across several of the University's parking lots and repair of a critical infrastructure element within the UW Medical Center facility. Other investments include continuation of funding for the Faculty Diversity Initiative, the President's Race & Equity Initiative and other actions intended to build and advance new initiatives aimed at continuing our work to support diversity, equity, and inclusion.

SOURCES OF CORE OPERATING FUNDS

The University's core operating funds are derived from state appropriations, net tuition revenue, indirect cost recovery from grants and contracts, institutional overhead charged to self-sustaining activities and auxiliary units of the University, administrative overhead charged to Bothell and Tacoma, and summer quarter tuition revenue. These revenues are combined into two major budget categories: the GOF and the DOF. More information can be found in other sections in this document relating to each of these revenue sources.

GENERAL OPERATING FUND (GOF) – As of JUNE 1, 2021

General Operating Fund (GOF) is composed of state appropriations and tuition operating fee revenue (net of financial aid). Each is described in more detail below.

State Appropriations – As of June 1, 2021

Lawmakers have approved the state's 2021-23 operating budget (affecting FY22 and FY23) and a supplemental budget for the remainder of 2021 (FY21), and the Governor approved the budgets without vetoing any provisions that affected the University. Details regarding approved budgets can be found on the [OPB Briefs](#) webpage.

In stark contrast to the end of the 2020 legislative session, this year's budget discussions followed several promising state revenue forecasts, which indicated that state revenue has essentially returned to pre-pandemic levels.

Total Near GF-S funding in the final compromise budget is \$883.97 million. This reflects an increase of \$67.5 million over the carry-forward level (cost of continuing the 2019-21 budget into 2021-23). Increases in the operating budget are highly restricted and are largely attributed to \$48 million over the biennium for UWMC/Harborview, but also several smaller provisos (most notably \$4 million for additional Computer Science & Engineering (CSE) enrollments).

Here is an overview of the major state decisions for FY21-23 as enacted in the compromise budgets:

2021-23 BIENNIAL BUDGET (FY22 AND FY23):***UW budget requests:***

- Medicine/Dentistry Safety Net Continuation:
 - \$20 million per year for UW Hospital Support at UW Medical Center and Harborview Medical Center (one-time in the 2021-23 biennium).
 - An additional \$4 million per year (ongoing) is provided to Harborview Medical Center through a transfer in budget authority from the Health Care Authority (HCA).
 - \$1 million per year (ongoing) for School of Dentistry clinics.
- OFM Central Services:
 - The compromise budget fixes the funding formula for One Washington (OneWA), the state's new financial system. The change removes approximately \$13 million in charges to the University over the new biennium, approximately 1/3 state funded and 2/3 assumed to be paid by student tuition revenue.
 - The new formula would result in total charges of nearly \$1 million over the biennium, 1/3 of which would be funded.
 - This was requested by the University to reduce the burden of these state decisions on incremental tuition revenue, especially since students would receive no obvious value from the state's new financial system.
- Health Sciences Building M&O: Provides \$1.44 million starting in FY23. The University's budget request totaled \$1.67 million.
- Psychiatry Training Program Proviso Ramp-ups: Provides \$2.44 million over the biennium (as requested).
- Spokane Medical Buildings: Provides \$2.29 million starting in FY23 (as requested).

Compensation:

- The state originally assumed a 2 percent increase for non-represented UW faculty and staff in FY21. As requested by the Governor, that funding was returned to the state and, after a consultative process, the University did not institute merit increases in FY21.
- In the final compromise budget, the state kept the FY21 funding but returned previously appropriated funding to the UW on an ongoing basis into FY22 and FY23, and would permit the increases originally intended for FY21 to be instituted in FY22.
- It is important to note that the state only funds compensation increases for a small portion of UW employees. The funding that is provided only covers a portion of what is needed to cover the cost of increases for faculty and professional staff paid by state funding and tuition revenue (our General Operating Fund). Salary increases for all other employees need to be covered by other sources of revenue.

Other Major Provisos:

- \$4.0 million over the biennium (\$2.0 million in FY22 and \$2.0 million in FY23) for new enrollment slots in Computer Science & Engineering focused on traditionally underrepresented students.
- \$50,000 in FY22 and \$1.78 million in FY23 to implement [SB 5126](#), the "Climate Commitment Act," a "cap and trade" carbon revenue measure.
- \$304,000 over the biennium, and additional funding assumed in the next biennium, to fund [SB 5227](#), the bill requiring diversity, equity, and inclusion training for all faculty, staff, and students.

- \$300,000 in each FY22 and FY23 for the Institute for Science and Math Education in the College of Education to collaborate with teacher preparation programs and the Office of the Superintendent of Public Instruction to develop an open access climate science curriculum.
- \$225,000 in FY22 and \$75,000 in FY23 for the Climate Impacts Group to update the climate risk assessment for the state of Washington.
- \$150,000 in each FY22 and FY23 for the Washington Mathematics, Engineering, Science Achievement (MESA) program.

2021 SUPPLEMENTAL BUDGET (FY21):

- Removes \$4.3 million in FY21 for non-represented faculty and staff wage increases, but, as mentioned previously, did not remove carryforward funding on an ongoing basis.
- Provides \$2.2 million in additional funding for FY21 to provide relief for the significant increase in OFM central service billings for the OneWA project before the new formula (covered above) takes effect in the new biennium.
- Allocates \$35 million in one-time safety net support for UW Medicine in FY21 from “Coronavirus State Fiscal Recovery – Federal funds” (not included in tables since it is not Near-General Fund). See the “Restricted Funds” section on page 45 for more information.

More information regarding state budgets, including a comprehensive summary of decisions and provisos, can be found in relevant documents on the [OPB Briefs](#) webpage.

Tuition Revenue & Recommendations – As of June 1, 2021

Current resident undergraduate tuition policy ([2ESSB 5954](#), 2015) allows institutions to increase operating fees by up to the 14-year rolling average of Washington’s median hourly wage. In FY22, this policy will allow resident undergraduate tuition to increase by up to 2.8 percent. The Board of Regents has the authority to set tuition rates for nonresident undergraduate and all graduate and professional tuition categories.

The tuition rate recommendations in Table 6, below, are the result of **many months of collaboration** between chancellors, deans, faculty, students, and staff along with executive and academic leadership. The administration solicited recommendations from deans and chancellors, but required that each dean and chancellor consult with students and elected faculty councils. All tuition rate proposals were accompanied by a narrative justification, market analysis, enrollment changes, waiver implications, impact on low-income students, and information regarding the use of incremental revenue. Deans, chancellors, and academic leaders considered rates up until final projections of tuition operating fee revenue were due to be calculated.

The tuition rates in Table 6 include the operating fee and the building fee, and the percentage change that applies to both fees. For example, the rate for resident undergraduate students assumes that the building fee will increase by the same percentage as the operating fee in FY22—2.8 percent. Please note students must pay other mandatory fees in addition to the operating and building fee. Please see OPB’s [Cost of Attendance](#) webpage for more detail.

Projected tuition revenue—net of building fee, required financial aid set-aside, and, of course, waivers—is shown in Tables 4 and 5 as “Tuition Operating Fee Revenue.” Tuition revenue projections reflect the tuition rate recommendations shown in Table 6, as well as approved enrollment increases, which were discussed in light of a four-year financial forecast for each campus.

Table 6: Adopted Tuition Rates for FY22

Unit	Tuition Category		FY21 (Current Annual Rate)	FY22	
				% Change	Adopted Tuition Rate
University-Wide	Undergraduate	Resident	\$10,629	2.8%	\$10,927
		Non-Res	\$37,998	2.0%	\$38,757
	Graduate Tier I	Resident	\$16,278	2.0%	\$16,605
		Non-Res	\$29,178	2.0%	\$29,763
	Graduate Tier II	Resident	\$16,695	2.0%	\$17,028
		Non-Res	\$29,802	2.0%	\$30,399
	Graduate Tier III ¹	Resident	\$18,654	2.0%	\$19,026
		Non-Res	\$33,249	2.0%	\$33,915
Seattle Campus					
Built Environments, College of	Master of Construction Mgmt., Landscape Architecture, Urban Design & Planning	Resident	\$16,434	2.2%	\$16,797
		Non-Res	\$29,265	2.2%	\$29,910
	Master of Architecture and MSRE (Real Estate)	Resident	\$17,382	2.2%	\$17,763
		Non-Res	\$36,600	2.2%	\$37,404
Dentistry, School of	Dental Professional (DDS) Year 1	Resident	\$47,190	0.0%	\$47,190
		Non-Res	\$72,762	0.0%	\$72,762
	Dental Professional (DDS) Year 2	Resident	\$47,190	0.0%	\$47,190
		Non-Res	\$72,762	0.0%	\$72,762
	Dental Professional (DDS) Year 3	Resident	\$47,184	0.0%	\$47,184
		Non-Res	\$72,762	0.0%	\$72,762
	Dental Professional (DDS) Year 4	Resident	\$43,617	0.0%	\$43,617
		Non-Res	\$72,762	0.0%	\$72,762
	Graduate Dental - Oral Biology	Resident	\$16,761	0.0%	\$16,761
		Non-Res	\$32,370	0.0%	\$32,370
	Graduate Dental - Oral Medicine, Pediatric Dentistry, Periodontics, and Prosthodontics	Resident	\$18,615	0.0%	\$18,615
		Non-Res	\$35,283	0.0%	\$35,283
Graduate Dental - Endodontics	Resident	\$20,475	0.0%	\$20,475	
	Non-Res	\$35,283	0.0%	\$35,283	
Graduate Dental - Orthodontics	Resident	\$26,073	0.0%	\$26,073	
	Non-Res	\$35,283	0.0%	\$35,283	
Education, College of	Master of Education and Master in Teaching	Resident	\$17,406	0.0%	\$17,406
		Non-Res	\$32,268	0.0%	\$32,268
	Doctor of Education and Education PhD	Resident	\$17,406	0.0%	\$17,406
		Non-Res	\$32,268	0.0%	\$32,268

¹ In February 2021, the Board of Regents approved a new Master of Science in Electrical and Computer Engineering at UW Tacoma. The new program has been assigned the Tier III tuition rate.

Engineering, College of	Master of Chemical Engineering	Resident	\$23,217	2.3%	\$23,751
		Non-Res	\$36,606	2.3%	\$37,449
	Master of Industrial and Systems Engineering	Resident	\$23,217	2.3%	\$23,751
		Non-Res	\$36,606	2.3%	\$37,449
	Master of Material Science and Engineering (Applied)	Resident	\$23,217	2.3%	\$23,751
		Non-Res	\$36,606	2.3%	\$37,449
	Master of Applied Bioengineering	Resident	\$30,528	1.0%	\$30,834
		Non-Res	\$36,636	1.0%	\$37,002
Environment, College of the	College of the Environment Graduate Programs	Resident	\$16,695	2.0%	\$17,028
		Non-Res	\$29,802	2.0%	\$30,399
	Masters in Earth Space Science: Applied Geosciences	Resident	\$18,567	0.0%	\$18,567
		Non-Res	\$32,367	0.0%	\$32,367
Evans School	Master of Public Administration (MPA)	Resident	\$24,885	1.5%	\$25,257
		Non-Res	\$42,642	1.5%	\$43,281
	Global Master of Public Administration (MPA) ²	Resident	\$24,885	1.5%	\$25,257
		Non-Res	\$42,642	1.5%	\$43,281
Foster School	Master of Business Administration - Incoming	Resident	\$35,610	0.0%	\$35,610
		Non-Res	\$52,452	0.0%	\$52,452
	Master of Business Administration - Continuing	Resident	\$34,239	4.0%	\$35,610
		Non-Res	\$50,436	4.0%	\$52,452
Graduate School	Graduate School Interdisciplinary Programs Tier I ³	Resident	\$16,278	2.0%	\$16,605
		Non-Res	\$29,178	2.0%	\$29,763
	Graduate School Interdisciplinary Programs Tier III ³	Resident	\$18,654	2.0%	\$19,026
		Non-Res	\$33,249	2.0%	\$33,915
Law, School of	Law (JD) 1L	Resident	\$37,752	3.0%	\$38,886
		Non-Res	\$49,155	2.5%	\$50,385
	Law (JD) 2L	Resident	\$35,610	3.0%	\$36,678
		Non-Res	\$47,733	2.5%	\$48,927
	Law (JD) 3L	Resident	\$34,746	3.0%	\$35,787
		Non-Res	\$46,779	2.5%	\$47,949
	Master of Laws (LLM)	Resident	\$25,563	3.0%	\$26,331
		Non-Res	\$42,825	2.5%	\$43,896
	Law PhD	Resident	\$22,410	3.0%	\$23,082
		Non-Res	\$42,825	2.5%	\$43,896
Medicine, School of	Medical Professional (MD)	Resident	\$37,896	3.0%	\$39,033
		Non-Res	\$68,328	2.0%	\$69,696

² The Evans School is proposing a new tuition category and moving their existing Global MPA from a fee-based to tuition-based program.

³ Although these tuition categories follow Tier I and Tier III rates, respectively, the revenue from interdisciplinary programs is distributed under a different formula than other tuition revenue, hence the need for separate tuition categories.

Nursing, School of	Nursing Master and Doctor of Nursing Practice	Resident	\$28,092	2.0%	\$28,653
		Non-Res	\$40,491	2.0%	\$41,301
Pharmacy, School of	Doctor of Pharmacy	Resident	\$32,535	2.0%	\$33,186
		Non-Res	\$54,774	1.2%	\$55,431
	PharmD/MBA dual program with UW Bothell	Resident	\$35,280	1.85%	\$35,934
		Non-Res	\$54,774	1.2%	\$55,431
Public Health, School of	Master of Public Health	Resident	\$22,023	2.0%	\$22,464
		Non-Res	\$38,337	2.0%	\$39,105
	Public Health Graduate Programs - Other than MPH	Resident	\$18,843	2.0%	\$19,221
		Non-Res	\$32,631	2.0%	\$33,285
	Public Health Graduate Programs PhD Program	Resident	\$18,843	2.0%	\$19,221
		Non-Res	\$32,631	2.0%	\$33,285
Social Work, School of	Master of Social Work - Incoming	Resident	\$20,049	3.5%	\$20,751
		Non-Res	\$34,443	3.5%	\$35,649
	Master of Social Work - Continuing	Resident	\$19,371	3.5%	\$20,049
		Non-Res	\$33,279	3.5%	\$34,443
Bothell Campus					
UW Bothell	Nursing - Incoming	Resident	\$16,383	2.5%	\$16,794
		Non-Res	\$29,244	2.5%	\$29,976
	Nursing - Continuing	Resident	\$16,383	0.0%	\$16,383
		Non-Res	\$29,244	0.0%	\$29,244
	Master of Business Administration - Incoming	Resident	\$24,450	0.0%	\$24,450
		Non-Res	\$30,657	0.0%	\$30,657
	Master of Business Administration - Continuing	Resident	\$23,739	3.0%	\$24,450
		Non-Res	\$29,763	3.0%	\$30,657
Tacoma Campus					
UW Tacoma	Master of Business Administration - Incoming	Resident	\$18,699	2.0%	\$19,074
		Non-Res	\$27,765	2.0%	\$28,320
	Master of Business Administration - Continuing	Resident	\$18,699	2.0%	\$19,074
		Non-Res	\$27,765	2.0%	\$28,320
	Master of Business Analytics	Resident	\$15,774	2.0%	\$16,089
		Non-Res	\$19,866	2.0%	\$20,262

The University mitigates increases in tuition rates in a multitude of ways. Please see the “Ensuring Access and Completion” section on page 43 for information regarding financial aid available at the UW.

DESIGNATED OPERATING FUND (DOF) – As of JUNE 1, 2021

Other, local sources of revenue that support operations for all University units are referred to, collectively, as the Designated Operating Fund (DOF). DOF includes the following local sources of revenue, but please review the “Budget Policies and ABB Distribution” section on page 70 for more information regarding distribution methodology:

- **Indirect Cost Recovery (ICR):** The UW's receipt of indirect cost recovery (ICR) from grants and contracts is the largest component of DOF. ICR provides reimbursement for prior institutional expenses associated with the UW's research activity. Despite significant COVID-19 related uncertainty going into FY21, the UW's award trends have thus far remained strong and on track to again see year over year growth. As of June 1, 2021, despite the operational impacts of COVID-19 on the University's research enterprise, ICR is on track to slightly exceed budget for FY21. In FY22 the UW is projected to experience a modest ICR increase over projected FY21 ICR due to current award trends plus the eventual reopening of broader society which will trigger additional expenditures in areas that have been impacted (travel, certain research support services, etc.).
- **Institutional Overhead:** A percentage of self-sustaining units' revenue from the sale of goods and services is charged to recover costs for building use, physical plant operations and maintenance, and institutional support at the UW in Seattle. Institutional overhead recovery rates, in aggregate, have remained at roughly 3 percent of gross self-sustaining revenues. Year to date FY21 data indicate that institutional overhead is on track to exceed the budget established for the current fiscal year, which is in line with the trends we are seeing within the larger self-sustaining revenue base vs budget. Similar to ICR activity, as we see increased vaccine availability, social distancing guidelines tapering off, and the eventual reopening of broader society, generation of institutional overhead is expected to ramp up to slightly behind pre-pandemic levels.
- **Administrative Overhead:** Equivalent to institutional overhead but charged to UW Bothell and UW Tacoma. This overhead reflects a share of centralized administrative services provided to those campuses by the UW in Seattle. Administrative overhead is calculated as approximately 10 percent of GOF for each campus and excludes funds for operations and maintenance. Projections are calculated based on the year-end budget at each campus, incorporating known allocations for the coming year. The recovery rate is highly dependent on the state and tuition funding available to each campus.
- **Summer Quarter Tuition:** Continuum College manages the summer quarter program for the University. The approved budget dictates the incremental increase or decrease over prior year. Summer Quarter 2020 resulted in record revenue levels for the UW, as courses transitioned to online delivery and traditional summer activities generally engaged in by society were largely shuttered due to the pandemic. As society begins to reopen it is not expected that Summer Quarter 2021 activity will achieve the same record levels seen during Summer Quarter 2020, however the University does anticipate experiencing a modest increase on a budget to budget basis over the FY21 adopted budget.
- **Investment Income:** DOF revenue derived from invested funds after distributions to campus units. Treasury bases its projections for anticipated returns on market conditions for the upcoming fiscal year. The value of this fund can be inconsistent, depending on market forces and performance of the Diversified Investment Pool and is currently projected to exceed the initial FY21 projection of \$9.0 million. The underlying securities in the invested funds programs are sensitive to interest rates and the balance of funds in this pool has grown over the last year, FY22 revenues, net of distributions and fees is expected to increase on a budget-to-budget basis over the FY21 adopted levels.

- **Internal Lending Program (ILP) Risk Fund:** Beginning in FY17, Treasury started allocating a portion of the ILP rate charged to borrowers to compensate central administration for incurring incremental risk and providing credit support. The FY22 value for this assumption of risk is expected to remain flat at \$2.1 million.
- **Miscellaneous Fees:** Other fees that contribute to the DOF revenue pool. 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 returned check fees, staff registration fees, etc. The largest drivers of activity in this funding source are closely associated with application and enrollment activity. As such, we are anticipating moderate growth in FY22.

ENSURING ACCESS AND COMPLETION: FINANCIAL AID

The UW is committed to providing educational access and opportunity, regardless of a student’s ability to pay. By providing financial assistance programs, the UW promotes participation in higher education and bridges the gap between students’ resources and the cost of attendance.

The UW’s commitment to financial aid helps students not only access the University, but also successfully complete a degree. Such resources include programs such as Husky Promise, which guarantees that full tuition and standard fees will be covered by grant or scholarship support for eligible Washington state students.

The UW also offers a variety of tuition waivers authorized or required by the state, such as those to veterans and surviving spouses and dependents of fallen police officers and firefighters.

Due to legislation and prior actions by the Board of Regents, tuition revenue is used to provide student aid in three ways:

1. **State-Mandated Aid:** The state of Washington requires that the UW put an amount equal to 4 percent of total collected tuition revenue toward financial aid.
2. **Institutional Aid:** In an effort to ensure access, UW uses incremental tuition revenue to provide additional funds for need-based grants. UW policy stipulates that an amount equal to 4 percent of the total resident portion of tuition charged to all students be used for financial aid. Three-quarters of this aid is awarded on the basis of need and one-quarter on the basis of merit. The institutional aid projection displayed in Table 7 also includes a non-mandated component that may be impacted should state funding cuts come to pass.
3. **Waivers - Foregone Revenue:** Waivers that represent foregone tuition revenue help many students pay for tuition. Waivers are usually awarded automatically to students who fit certain criteria. The largest group of such automatic waivers are to students with graduate student service appointments. Certain veterans also receive waivers. In our student system, the nonresident differential for students in the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) regional medical education program also shows up as a “waiver,” even though the states from which these students originate are compensating the University.

Table 7, below, shows both the amount of operating fee revenue generated by students and the amount of financial aid funded by tuition revenue. As was the case last year, the recommendation reflected in Table 7 is that the UW adjust its contribution to need-based institutional aid for tuition changes (increases or decreases) and for expected changes in resident undergraduate enrollment.

Please note also that a great deal of financial aid is provided by gifts and endowments, which is not shown here. No funding from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act related to student aid is included in the information below, since the grants were provided in FY20. Further, support for graduate students comes from grants and contracts (for RAs) and from GOF (for TAs). Table 7 shows only the projected portion of aid that is derived from tuition revenue.

Further, the table and figures on the next pages are representative of **all three UW campuses**.

Table 7: 2021-22 Net Operating Fee Revenue and Tuition-Based Aid¹

	Undergraduate			Graduate/Professional			Total
	Resident	Non-Resident ²	Total	Resident	Non-Resident	Total	
Full-Time Equivalent (FTE)	28,079	9,666	37,745	6,051	6,315	12,366	50,111
Gross Operating Fee Revenue	301,394,000	354,372,000	655,766,000	114,857,000	182,747,000	297,604,000	953,370,000
State-Mandated Aid	11,280,000	13,868,000	25,148,000	3,835,000	3,599,000	7,434,000	32,582,000
UW Institutional Aid	32,732,000	15,041,000	47,773,000	4,303,000	3,879,000	8,182,000	55,955,000
Waivers - Foregone Revenue³	7,329,000	3,739,000	11,068,000	14,397,000	88,536,000	102,933,000	114,001,000
Faculty & Student Reinvestment Pool⁴	4,633,000	2,617,000	7,250,000	1,250,000	1,250,000	2,500,000	9,750,000
Risk Pool⁵	3,681,000	4,787,000	8,468,000	1,366,000	1,282,000	2,648,000	11,116,000
Net Operating Fee Revenue	241,738,000	314,321,000	556,058,000	89,706,000	84,201,000	173,907,000	729,965,000
Total Aid from Group	51,341,000	32,648,000	83,989,000	22,535,000	96,014,000	118,549,000	202,538,000
Total Aid to Group	79,296,000	11,372,000	90,668,000	24,585,000	87,286,000	111,871,000	202,539,000
Aid to Group as % of Gross	26%	3%	14%	21%	48%	38%	21%

¹ Numbers are rounded to thousands and, therefore, may not match within this table or others in the document.

² Incremental revenue from past nonresident undergraduate tuition increases has been used to fund aid for domestic nonresident undergraduates.

³ More than 85 percent of waivers are provided to graduate teaching and research assistants as function of their appointment.

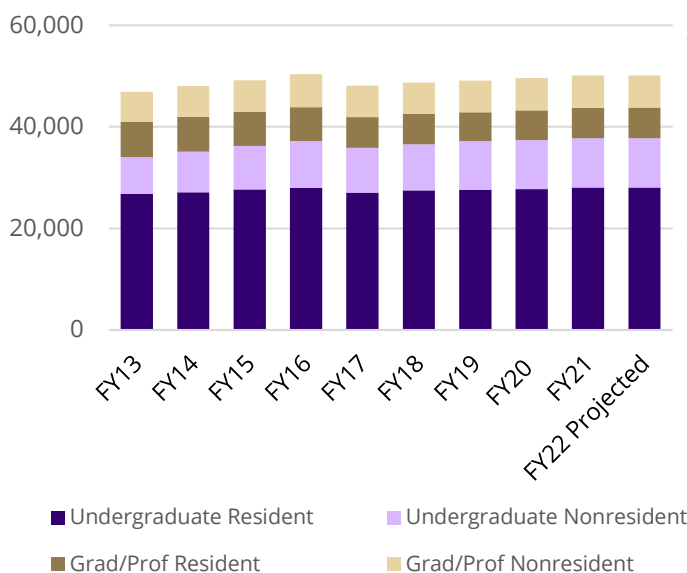
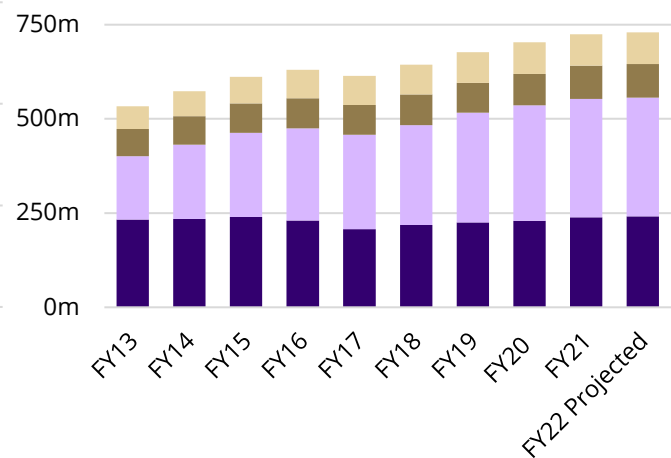
⁴ Please refer to the Compensation section on page 32 for more information.

⁵ To be conservative, a 1.5 percent risk pool has already been subtracted from projected operating fee revenue.

Revenue received through nonresident undergraduate tuition contributes greatly to the financial aid funding pool. While nonresident undergraduate tuition generates more than \$32.6 million in financial aid funds, these students are awarded less than \$11.4 million.

Figure 9, below, shows changes in **FTE enrollment** by student level and residency over time, while Figure 10 shows changes in **net revenue** by student level and residency over time. These figures suggest that:

- Net operating fee revenue has been modestly increasing while enrollments have remained fairly flat.
- Given the continued uncertainty with COVID-19 and back to school plans for fall quarter, we continue to project FTE and net revenue conservatively.

Figure 9: FTE Enrollment by Student Category

Figure 10: Net Revenue by Student Category


RESTRICTED FUNDS

Certain state appropriations can only be used for the strategic purposes specified by the Washington state legislature and are thus distributed accordingly. Restricted appropriations from the state General Fund, the Education Legacy Trust Account, and the Workforce Education Investment Account are described in the “State Appropriations” section, on page 34. As mentioned in that section, the state appropriated \$35 million of federal emergency funding in FY21 for UW Medicine given the ongoing COVID-19 pandemic (reflected below). The University has received additional emergency aid funding from federal recovery acts, including the CARES Act of 2020 and the American Rescue Plan of 2021. However, these amounts are not included in the table below since they were not direct appropriations from the state through their budget process. More information about this other funding can be found in the “COVID-19” challenge section on page 15 and the “UW Medicine” section on page 46.

“State restricted funds” are primarily composed of approximately \$7.6 million per year in Accident and Medical Aid account funding, which is allocated to the School of Public Health for specific activities performed by the Department of Environmental and Occupational Health Sciences (DEOHS), and roughly \$1.5 million annually from the Economic Development Strategic Reserve account to support the Joint Center for Aerospace Technology Innovation (JCATI). The restricted fund budget also includes funding for the following purposes: shellfish biotoxin monitoring, from the Biotoxin Account; ocean acidification research, from the Aquatic Lands Enhancement Account; a three-year study (FY19-21) to identify best management practices that optimize the value of shellfish farms, from the Geoduck Aquaculture Account; and research and education on the effects of marijuana use, from the Dedicated Marijuana Account, which continues to be significantly less than what the UW requested in order to fulfill the legislature’s obligations under [2E2SHB 2136](#) (2015).

The enacted 2021-23 compromise budget would only make minor changes to restricted fund amounts. Many budget items would receive slight adjustments to account for changes to employee compensation and benefits over the biennium. Table 8 shows expected restricted fund allocations by fiscal year.

Table 8: State Restricted Funds (FY19-FY23)

State Account*	FY19	FY20	FY21	FY22	FY23
Biotoxin Acct. (Shellfish Monitoring)	298,000	303,000	309,000	301,000	304,000
Aquatic Lands Enhancement Account	675,000	786,000	820,000	796,000	823,000
Geoduck Aquaculture Acct.	200,000	400,000	400,000	8,000	7,000
Economic Dev. Strategic Reserve Acct.	1,521,000	1,534,000	1,553,000	1,540,000	1,554,000
Dedicated Marijuana Account	247,000	256,000	272,000	263,000	263,000
Accident Account (DEOHS)	3,802,000	3,831,000	4,076,000	3,877,000	3,997,000
Medical Aid Account (DEOHS)	3,591,000	3,654,000	3,853,000	3,687,000	3,781,000
Motor Vehicle Acct. (Transpo. Budget)			250,000	301,000	304,000
State COVID Recovery Fund - Federal**			35,000,000		
Total	10,334,000	10,764,000	46,533,000	10,472,000	10,729,000

*Note that all of these accounts, except Dedicated Marijuana Acct, provide biennial appropriations. Therefore, funds can be spent across the biennium.

**The FY21 second supplemental budget appropriated federal funds to UW Medicine. The University received other emergency funding related to the COVID-19 pandemic, but this item was the only amount appropriated by the state through its budget process.

UW MEDICINE

UW Medicine includes the two campuses of UW Medical Center at Montlake and Northwest (UWMC), Harborview Medical Center (HMC), Valley Medical Center (VMC), UW Physicians (UWP), Airlift NW (ALNW), UW Neighborhood Clinics (UWNC), UW Medicine Shared Services, and the School of Medicine (SoM). UW Medicine is led by the CEO of UW Medicine, who also serves as Executive Vice President for Medical Affairs for the UW and Dean of the School of Medicine. Environmental factors, industry trends, and operating challenges are considered carefully in developing the budget for UW Medicine.

Through multiple years of focused work to increase revenues, reduce costs and invest in key infrastructure while standardizing the way work is approached across the system, and despite the COVID-19 pandemic, significant financial improvement has been achieved. While the pandemic slowed our progress, further improvements are targeted through continued work on the UW Medicine Financial Improvement & Transformation Project (Project FIT), as well as through the deployment of the initiatives developed during the Clinical Strategic Refresh process, which have largely been delayed due to the pandemic. The Clinical Strategic Refresh work commenced in FY19 and as we complete FY21, we are working on the deployment of the identified initiatives. The objective of this work was to develop a comprehensive road map for the next five years and beyond. The roadmap lays out plans related to which key service lines should be prioritized, how capacity could be maximized across the system, and what additional investments are required to build the foundation for future success.

COVID-19 has continued to impact UW Medicine operationally and financially during FY21. Applying the learnings from our spring 2020 COVID-19 surge allowed us to ensure capacity was available to safely meet patients' needs related to COVID-19 while continuing to meet other emergent and non-emergent care needs.

UW Medicine is performing favorably to budget through April 2021 and has successfully gone live with the Destination: One project. This transformational initiative provides UW Medicine with a standardized and integrated technology platform that supports patient care delivery and executes revenue cycle functions. The enabling technology implemented through this program allows UW Medicine to remain on the cutting edge of healthcare, providing current and meaningful technology for safe and efficient patient care. Through the consolidation of technology and integration of workflows, staff will be able to spend less time working with different legacy technologies and disconnected workflows and focus more on patient care. This is the primary benefit of one unified electronic medical record (EMR) for hospital and ambulatory care, with integrated access and billing applications that also support business operations.

All of this is possible due to the efforts and commitment of approximately 30,000 talented staff, faculty, students, trainees, and volunteers. Consistent with the goals established for the year, UW Medicine focused on delivering world-class clinical care, research, education, and training while continuing to implement its strategic plan and achieving the UW Medicine Patients Are First pillar goals. Since March 1, 2020, leadership focus was directed to leading the COVID-19 response for our community as well as the country, but we have put into place procedures and protocols that allow us to continue to safely care for our non-COVID-19 patients alongside our COVID-19 patients.

COVID-19 PANDEMIC AND IMPACTS BY ENTITY

The first case of COVID-19 in the United States was identified in Washington in January 2020, several weeks earlier than the rest of the country, putting UW Medicine on the front lines of the pandemic. In addition to our research, education and clinical functions, UW Medicine has taken a leadership role in collaboration with public health officials to address the pandemic, by building needed clinical and epidemiological testing capacity in the region; modeling surge volumes and supply constraints nationally; providing publicly-accessible clinical protocols, procedures, and guidelines; and providing outreach to first responders, healthcare workers, nursing home patients and staff, communities of color, homeless populations, and other vulnerable populations with unique needs.

UW Medicine faced substantial financial challenges as a result of our efforts dedicated to the COVID-19 pandemic. Responding to the COVID-19 pandemic has required significant additional resources to provide care and protect the workforce. We retained our workforce in order to maintain capacity for surges, despite shutting down many of our typical clinical operations. Staffing costs increased on top of this as our hospitals during certain times of the pandemic expanded overtime and brought on additional personnel. Additionally, our need for personal protective equipment (PPE) has increased as has the unit price for these supplies. UW Medicine continues to prioritize adequate levels of PPE to ensure the safety of our patients and our staff and is now warehousing these supplies to prepare for a potential future surge. The financial impact of COVID-19-related lost revenue and increased expense will significantly pressure cash flow. Recovery hinges on UW Medicine's ability to secure timely recovery funding as well as the ability to bring back into our facilities and maintain the elective procedures that were cancelled and are needed by our patients ongoing.

We are currently in the process of administering vaccines to our patients, staff and surrounding communities. At the time of publication, we have administered more than 315,000 vaccines at our four hospital campuses and several neighborhood clinics.

FY21 Performance Summary by Entity

UWMC integrated Northwest Hospital and Medical Center on January 1, 2020, becoming one hospital with two campuses. The integration has provided a crucial part of our ability to coordinate patient care across the two campuses of UWMC more efficiently. Utilization of facilities on the Northwest campus has improved since the integration. Financial performance for UWMC, pandemic notwithstanding, has improved substantially since integration. Despite this improvement, the cash position of the medical center remains well below benchmark levels. In the long-range financial plan, days of cash on hand in FY20 was 78 days (52 days without CARES Medicare Advance). As margins improve and the impacts of the strategic initiatives are realized, days cash on hand is expected to improve. During the recent legislative session, \$35 million of funding was approved to provide UWMC immediate relief for lost revenues due to the pandemic. The levels of lost revenues at UWMC were partially recovered through CARES funding, but it did not cover the deficit that was generated due to the cancellation of non-emergent procedures. This additional funding from the State of Washington is anticipated to be received prior to June 30, 2021 and will be recorded as income in FY21.

Timely access to capital and efficient deployment of the strategic initiatives will also be crucial success

drivers in the ability to achieve financial targets. Volumes, while continuing to improve at UWMC, have not yet reached pre-pandemic levels.

UWP works closely with the medical centers during the development of the budget and the long-range plan to ensure the volume and reimbursement assumptions are consistent. UWP experienced reduced volumes as a result of COVID-19. Volumes since May have been trending toward historical levels and UWP has prepared a budget that anticipates growth in key areas, consistent with the prioritized strategies of UW Medicine overall. Cash reserves at UWP were temporarily impacted due to COVID-19 but have recovered to pre-pandemic levels.

UWNC expects continued growth in outpatient primary care volumes. Current volumes are not yet back to pre-pandemic levels. UWNC has experienced a successful transition toward a more robust telehealth environment and telehealth visit volumes have remained a significant portion of UWNC volumes. Two clinics were transitioned to local management with partner organizations in FY21 allowing for leadership to focus on advancing work on telehealth and ensuring goals in market growth are achieved.

ALNW has continued to experience declining volumes impacted by increased competition as well as COVID-19. This has resulted in pressure on financial performance over the last few years. ALNW is currently engaged in a strategic planning process designed to determine the best course of action to improve financial performance. The results of strategic planning to date have been incorporated into the FY22 budget and updates to the plan will be included in the next annual update of the long-range financial plan.

HMC runs close to 100 percent occupancy on a regular basis, requiring continued work to safely manage length of stay. Some inpatient volume growth is projected due to this work and will allow for additional volumes expected to be generated from population growth as well as continued growth in HMC Centers of Emphasis.

In the fall of 2020, the voters of King County approved a \$1.7 billion bond measure to enhance and expand the HMC campus. The multi-year planning process is in early stages of development in partnership with King County and UW Medicine. Enhancements are expected to include replacements to aged infrastructure as well as extensive seismic upgrades.

UW Medicine is committed to managing Harborview in a fiscally responsible manner to provide and teach exemplary patient care and to provide health care to a mission population of the underserved as defined by King County as well as serving patients from all walks of life through the Centers of Emphasis based there. Although COVID-19 has negatively impacted HMC due to the cancellation of non-emergent procedures, a large portion of services provided at HMC are deemed emergent in nature.

VMC is well positioned to continue to provide excellent care to the south King County region in 2021 and beyond. Hospital District #1, in the south King County region, has experienced significant population growth and VMC has seen corresponding growth in its volumes, specifically in the outpatient areas. Management continues to focus on strategic growth in primary care, urgent care, and specifically targeted specialty growth.

COVID-19 had significant impacts on VMC operations. Specifically, the cancellation of non-emergent procedures necessary to preserve capacity resulted in reductions in net revenue. In FY20, VMC experienced COVID-19 admission volumes that required the opening of an additional inpatient unit in order to care for

the patients. COVID-19 volumes have since decreased and this unit is no longer operational. Throughout FY21, VMC has experienced higher COVID-19 patient volumes than the other medical centers within UW Medicine.

In early FY22, in partnership with Proliance Physicians, VMC will transition their orthopedic surgery volumes to an ambulatory surgery center that was recently completed on their campus. This joint venture will provide additional surgical capacity within the VMC surgical space, but until volumes are backfilled, will have a negative financial impact. VMC has constrained capital spending for FY22 to preserve cash flow.

SoM has experienced positive financial results in FY21 due primarily to strong performance from Lab Medicine related to COVID-19 testing, increased research grants and better than anticipated philanthropic revenues. A number of sizable donor gifts as well as continued support for the COVID-19 response has resulted in significant favorability compared to budgeted margins. FY22 has been adjusted to reflect the expected return to pre-pandemic operations.

COVID-19 CONTINUED IMPACTS

It is difficult to know the future of COVID-19 and how it may impact financial performance in FY22. As we move into the next fiscal year and vaccinations continue to reach more of the population in our community, our focus is on recovery. We continue to prioritize the execution of our key strategic initiatives as well as focus on rebuilding our clinical volumes to historic levels. We must do this through the lens of an environment that still has some prevalence of COVID-19.

Additionally, financial recovery must continue. Our work with the Federal Emergency Management Agency (FEMA) will continue for a number of years as we work to identify and substantiate all the expenses that have been incurred since early 2020 that we can potentially claim for FEMA reimbursement.

We are confident in our ability to safely care for COVID-19 patients alongside our non-COVID-19 patients who continue to require care. Our focus is continuing to do so while also prioritizing execution of our clinical strategy and re-engaging in our FIT initiatives.

FUTURE CHALLENGES FOR UW MEDICINE (IN ADDITION TO COVID-19)

CHALLENGE 1: ENSURING SUCCESSFUL IMPLEMENTATION AND EXECUTION OF STRATEGIC INITIATIVES AND PROJECT FIT

As UW Medicine moves into FY22, management focus on execution of our strategic initiatives will be a top priority. These initiatives have been designed to support growth in key areas as well as maximize capacity among our various hospital campuses. The FY22 budget has assumed a level of spending and access to capital that will help to support investments that are planned over the course of the year.

Additionally, there will be continued active identification and implementation of FIT initiatives. The most significant are realizing the full impact of integration of UWMC and Northwest Hospital (NWH), and Destination: One (described below). These projects are foundational for UW Medicine, and it will be crucial to stay focused on these key initiatives to ensure success.

In July 2018, the Board of Regents approved the plan to proceed with the UW Medicine Clinical Transformation Program (now called Destination: One). This program allows UW Medicine to improve patient experience, as well as physician and practitioner experience, and to achieve business and operating efficiencies through development of foundational systems and improved staffing workflows. Patient engagement will be enhanced through development of a single online patient portal for activities between the patient and UW Medicine. UW Medicine will achieve business and operating efficiencies through simplification and standardization across all clinical operations. The system went live on March 27, 2021. We have incorporated into our budgets for FY22, the planned efficiencies that are mentioned above.

CHALLENGE 2: MANDATORY INCREASING COSTS, INCLUDING SALARIES AND BENEFITS

UW Medicine's staff is its most valuable resource, as well as its single largest expense. Year-over-year increases in salaries and benefits are factored into UW Medicine's budget projections. Due to the pandemic, increases for FY22 professional staff and faculty are under evaluation by the University. We included increases in our FY22 budget, pending final approval. We are currently in collective bargaining discussions with our unions, which will determine the increases for our classified staff. It is anticipated that the inflationary growth of salaries will create pressure on margins in the future as reimbursement increases are expected to lag inflation. Benefit expenses continue to rise, due to increased health insurance premiums and retirement benefits. In an environment where reimbursement is flat or declining, the need to find ways to be more efficient is paramount.

Included in the audited financial results starting in FY18 was the unbudgeted impact of the implementation of Governmental Account Standards Board (GASB) 75 and 68, which requires the recognition of costs associated with other post-employment benefits and pension expense as they are earned using actuarial estimates, rather than cash funding. The actuarial adjustments may result in increases or decreases in expense and may be material. The additional expense recorded under this pronouncement was more than \$7.4 million in FY20 for GASB 75 and an income benefit under GASB 68 was more than \$45.0 million in FY 2020. The actuarial impact that will be recorded in FY21 is not known until the end of the fiscal year but will be recorded in the audited financials prior to finalization.

The UW records its GASB 68 and GASB 75 actuarial expense and funded status based on information provided annually by the state of Washington. As a result, the University records the actuarial expense during its year-end close process, as does UW Medicine. Separately, the University records as expense the amount funded to the state through the benefit load rate paid to the state of Washington. UW Medicine records its allocated portion of this benefit load rate as an expense each month in its financial statements.

UW Medicine also includes the expense as part of the benefit load in its annual budget. Increasing core benefit expenses continue to put pressure on UW Medicine's ability to improve financial performance. Our benefits as a percentage of salary exceed our peers when measured against other Puget Sound and national healthcare organizations.

CHALLENGE 3: LIMITED ACCESS TO CAPITAL FOR STRATEGIC INVESTMENTS

Limited access to capital has created challenges in being able to fund deferred maintenance, investments in infrastructure, and strategic priorities. UW Medicine capital and strategic investments historically have been primarily funded through cash. This, coupled with recent operating losses, significant levels of

uncompensated care, very modest investment earnings returned to UW Medicine, and Internal Lending Program (ILP) interest rates well above investment return and actual borrowing cost over time, has resulted in cash levels significantly below our targeted levels and our peers. Although there are a number of significant projects currently being funded through a combination of cash and borrowings from the ILP, there is a need for consistent access to capital to fund key initiatives. Greater access to capital will directly and positively impact the speed at which we can meet other key challenges.

CHALLENGE 4: CONTINUED PRESSURE ON REIMBURSEMENT

Consistent with the regional and national healthcare environment, UW Medicine continues to experience reimbursement rates that are not keeping pace with inflation, a shifting payer mix from commercial to governmental payers, as well as a shift from fee-for-service payments to value-based reimbursement. This continued shift requires transformation in how we do our work. UW Medicine's work with its Accountable Care Network, the Access Initiative and its Clinical Integrated Network is to ensure that we are able to remain competitive while striving to provide care at a reasonable cost. UW Medicine continues to work to ensure it is collecting reimbursement due for the services it provides as efficiently as possible.

CHALLENGE 5: COMPETITIVE LANDSCAPE

The Pacific Northwest healthcare market has been impacted by continued consolidations, affiliations, and integration, as well as by new market entrants and the introduction of disruptive technologies. The region's largest employers are self-insured and continue to seek alternatives in order to improve the health of employees and their family members, and provide satisfaction with the care that is provided, while reducing overall cost.

Innovative health care delivery options are becoming a demand of the region, as technology is integral to new entrants in the workforce. Attracting these patients by providing new ways to access care is a strategic focus. The continuing evaluation of these technologies and investments in digital health are a part of UW Medicine's clinical strategic planning efforts.

CURRENT FINANCIAL PERFORMANCE

Table 9, below, depicts the FY21 margins recorded at all the UW Medicine entities through April 2021, but is preliminary and subject to audit. A subtotal has been incorporated to highlight the results specific to the Consolidated Clinical Enterprise (CCE). The CCE represents the entities that are part of the borrowing unit for UW Medicine, which includes all UW Medicine organizations other than HMC, VMC, and the SoM. When UW ILP debt requirements are re-established for the CCE they will be measured only on the results of the CCE.

Table 9: FY21 Financial Results by UW Medicine Entity, as of April 2021 (in \$000's)

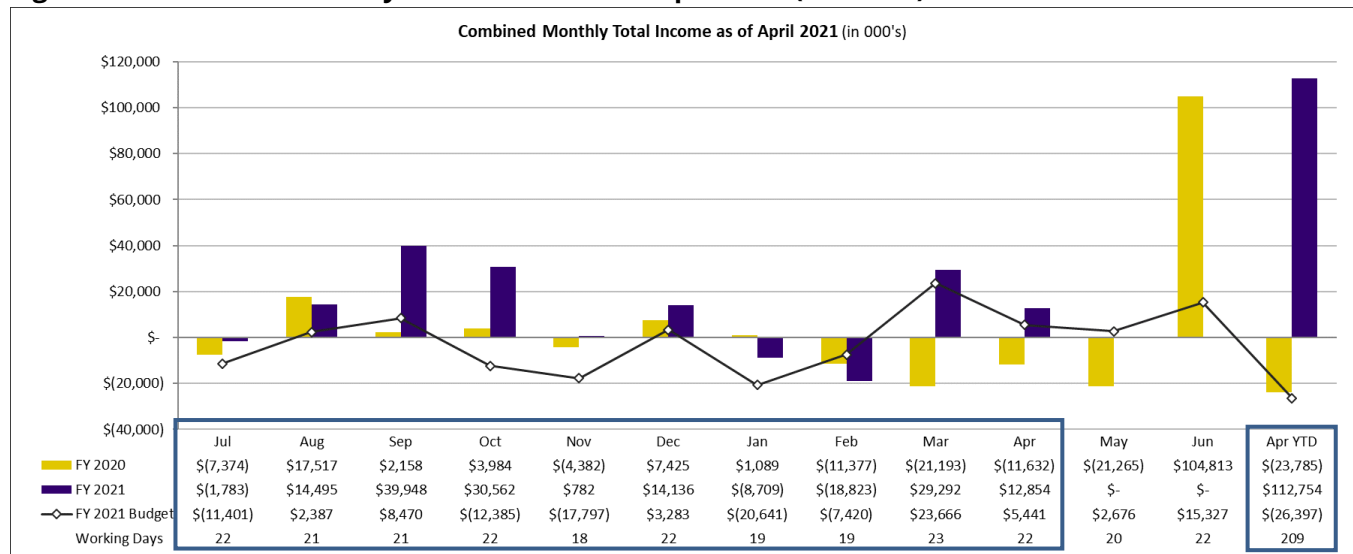
	April YTD Actual	April YTD Budget	Variance to Budget
UWMC	20,631	(997)	21,628
UWP*	-	-	-
UWNC	1,062	(2,216)	3,278
ALNW	(585)	(1,079)	494
SUBTOTAL CCE	21,108	(4,292)	25,400
HMC	(4,514)	1,822	(6,336)
VMC	(3,392)	(5,776)	2,384
SoM	99,552	(18,151)	117,703
TOTAL	112,754	(26,397)	139,151

*Results for UWP are shown after amounts available to the School of Medicine.

OPEB actuarial adjustments have not yet been recorded in FY21 and will be recorded in audited results.

Figure 11, below, depicts the month-to-month comparison of actual results to budget.

Figure 11: Combined Monthly Total Income as of April 2021 (in \$000's)



FEDERAL AND STATE FUNDING FOR COVID-19

As has been the case with other disasters experienced in various parts of the country, we expect it will take years of focused work to fully realize disaster recovery funding available. COVID-19 will have lasting impact on our financial performance and cash position. In our FY20 audited financial statements, we recognized only a portion of the Provider Relief Funds (PRF) that were received due to evolving guidance from Health and Human Services on eligibility requirements. We have been closely evaluating the most recent guidance and based on current requirements believe we will recognize remaining PRF funds by the end of FY21. In addition to PRF funding, UW Medicine has other recoveries received and recognized or in process of recovery within our FY21 financial statements as depicted in the Table 10 below. In addition to the amounts

displayed within the table below, liquidity support was provided in the form of Medicare Advance Payments, which are anticipated to be repaid starting the spring of 2021.

Table 10: UW Medicine Federal and State COVID-19 Recovery Funding *(as of May 24, 2021)*

Funding Source	Cash Received	Recognized in FY20	Recognized in FY21	Remaining Balance to be Recognized
State Allocation of Federal Funds	\$ 48,342,000	\$ 3,885,356	\$ 4,300,970	\$ 40,155,674
State Allocation of State Funds	10,000,000	8,148,087	1,851,913	-
FEMA Public Assistance	-	-	-	41,554,833
CARES Provider Relief Funds	198,511,000	126,610,000	-	71,901,000
Total	\$ 256,853,000	\$ 138,643,443	\$ 6,152,883	\$ 153,611,507

LOOKING AHEAD: PERFORMANCE, BUDGET, CLINICAL STRATEGIC PLANNING AND LONG-RANGE PLANNING

As a reminder, UW Medicine reduced FY21 margin targets due to the delayed launch of planned strategic refresh initiatives due to enterprise-wide focus on responding to the pandemic as well as significantly reduced access to capital due to the reduced debt capacity of the University which limited the capital allocated to UW Medicine in FY21. A reassessment process to evaluate our strategic initiatives, in light of the pandemic, was completed for our capital plans and adjustments have been made. For example, prior to COVID-19, UW Medicine was planning certain brick and mortar capital investments. After assessment of the impact of the pandemic, decisions were made to move toward a more remote or telehealth platform where applicable. Where we were able to reduce or delay our planned capital spending we have done so. As UW Medicine moves into FY22, we are planning for an increased level of capital which will dictate our ability to invest in our return on investment focused strategic initiatives.

Projected revenues and total margins for FY20, FY21, and FY22 are in Table 11, below. UW Medicine's work prior to the COVID-19 disaster was focused on identifying launching Strategic Refresh initiatives and identifying FIT initiatives designed to improve financial performance. Prior to the COVID-19 response, UW Medicine was working on bringing forward balanced budgets at margin levels close to the FIT plan targets. The total UW Medicine revenue budget for FY22 is targeted at \$6.2 billion, including the School of Medicine. The target margins for FY22 are displayed on the chart below.

During the recent legislative session, additional state appropriations for UW Medicine were approved. The 2021-23 biennial budget includes \$48 million of funding designated specifically to UWMC and HMC in recognition of the importance of future financial stability of the academic medical centers. This funding was offset by an expiring appropriation. The net annual incremental funding of \$19 million was allocated between the two hospitals based on the levels of uncompensated care and net patient service revenues. This additional funding was used to increase the target margins at both UWMC and HMC beyond original long range financial planning targets, with the intent of strengthening cash balances.

Table 11: FY20 and FY21 YTD Actual Revenues and Margins and FY22 Budget compared to Long-Range Financial Plan

UW Medicine ¹	FY20 Actual Total Margins ³	FY21 Budget Revenues	FY21 Annualized Revenue ²	FY21 Annualized Margins ³	FY22 Budget Revenues	FY22 Budget Expenses	FY22 Budget Total Margin	FY22 LRFP Total Margin ³	FY22 Budget Compared to LRFP
UWMC	2,045,000	1,916,000,000	1,890,000,000	25,000,000	1,992,107,000	1,927,559,000	32,009,000	19,835,000	12,174,000
UWP	-	394,000,000	381,000,000	-	400,000,000	400,000,000	-	-	-
Airlift NW	(6,607,000)	55,000,000	52,000,000	(1,000,000)	60,858,000	60,533,000	598,000	611,000	(13,000)
UWNC	(1,798,000)	72,000,000	75,000,000	1,000,000	80,000,000	82,215,000	(2,215,000)	(2,217,000)	2,000
Subtotal CCE⁴	(6,360,000)	2,437,000,000	2,398,000,000	25,000,000	2,532,965,000	2,470,347,000	30,392,000	18,229,000	12,163,000
HMC	27,048,000	1,110,000,000	1,126,000,000	(5,000,000)	1,111,166,000	1,096,952,000	18,163,000	11,100,000	7,063,000
VMC	7,832,000	753,000,000	781,000,000	(4,000,000)	842,680,000	852,076,000	-	-	-
UW Medicine	28,520,000	4,300,000,000	4,305,000,000	16,000,000	4,486,811,000	4,419,375,000	48,555,000	29,329,000	19,226,000

¹ UW School of Medicine projections are included within the Auxiliary/Self-Sustaining and Core Operating Budget areas of the University budget, so are excluded here.

² The revenue amounts differ slightly from the amounts approved in the FY21 budget due to final budget refinements.

³ Total margin does not include OPEB year-end actuarial adjustments in any year presented.

⁴ Consolidated Clinical Enterprise subtotals do not include Shared Services, ITS, and eliminating entries in FY20, FY21 or FY22.

BUDGET PRIORITIES

Improved financial performance continues to be a top strategic priority. Pressure on reimbursement from all UW Medicine payers has generally resulted in less than inflationary increases. In FY20, the pandemic presented a new set of challenges which we were able to weather despite substantial financial impacts. Our primary clinical goal as we move into FY22 remains providing world class safe care to our patients, providing a safe working environment for our staff, focusing on improving our work as it relates to diversity, equity and inclusion while at the same time remaining focused on our multi-year plan of improving financial performance.

Our FY22 budgets include strategic capital investments and assume a planned level of access to capital via the Internal Lending Program. A portion of these investments will be made using operating cash and anticipated debt service has been included in budgets. Detail related to the planned investments is included within the University's capital budget item that will be brought forward for Regent approval.

UW Medicine budget challenges have always existed due to the significant inflationary expense increases that are projected every year. Salary and benefit inflation for our workforce, pharmaceutical inflation, and supply inflation are all included within the FY22 budgets. Additional cost savings or revenue-producing initiatives are required to offset these increases and thereby meet targets. Additionally, each organization is focused on achieving a "budgeted total cost per case mix index adjusted admission." This provides leadership with a singular efficiency metric to measure against on a monthly and year-to-date basis. Executive leadership developed a three-year goal to further reduce costs per case mix index adjusted admission. Achievement of this goal will require continued transformation in the way UW Medicine does its work.

Effective January 1, 2020, NWH integrated into UWMC and is now operated as the northwest campus of UWMC. The major impetus for the integration of NWH into UWMC was to provide improvements in many

areas. The Integration occurred two months prior to the COVID-19 pandemic and we have already seen the benefits in more flexibility related to patient placement and location of services across the two campuses. The integration has also generated clinical, administrative, and improved financial performance. UW Medicine expects that when coupled with key investments to create updated clinical capacity, the Northwest campus will be an integral factor in providing improved access to our patients. As we move into FY22, the benefits expected will continue to be monitored.

Prior to integration, NWH experienced sustained operating losses over the years and those losses resulted in pressure on liquidity. To ensure NWH had the ability to meet its working capital requirements, payment was delayed to the University for supplies and services provided. The expenses for these services have all been fully recorded and disclosed within the applicable UW Medicine audited financial statements. The amount due to the University on June 30, 2020 was approximately \$124 million. Upon integration, UWMC assumed the monthly minimum payments annualizing to \$5 million each year on the payable. These payments have been put on hold for FY21 through an agreement between the University President and the CEO of UW Medicine. Payment will resume in FY22.

CLINICAL STRATEGIC PLANNING AND LONG-RANGE FINANCIAL PLANNING: FY22-FY35

The trend in healthcare has been shrinking operating margins, large capital expenditures to keep current with advances in technology, and a high reliance on government payments. The industry is in a period of consolidation and destabilization. The operating, clinical, and financial aspects of our business will be challenging over the next year as we navigate our way past the COVID-19 pandemic as well as over the following years with the continued transition from fee for service to a value-based reimbursement system. The development of a strong philanthropic revenue stream to support UW Medicine's hospitals and clinic priorities will be a key focus for our leaders going forward. UW Medicine will continue to focus on the strategic directives of the organization, prioritizing the following:

- Project FIT, with a focus on continuing our work on maximizing revenues and lowering costs on a volume adjusted basis
- Strategic Refresh initiative deployment across the enterprise, including
 - Targeted Primary and Specialty care growth
 - Investments in digital innovations, including our Telehealth platform
 - Continued enhancement of our new Destination: One investment
- Focus on key service line growth initiatives
- Investments in campus infrastructure at each site
- Length of stay and other efficiency improvements
- Philanthropic support

UW Medicine's ability to be successful requires that it has strong, effective, and visionary leadership; makes well-informed strategic choices; recruits and retains excellent staff and faculty; implements best practices in all aspects of its business; and strengthens its financial health to be able to invest in the future. UW Medicine overall provides uncompensated care of more than \$700 million on an annual basis, which requires that we continually focus on ways to improve our efficiency while providing top quality care to all our patients. UW Medicine must continue to improve in a sustainable manner. Improving the efficiency of care delivery across the continuum and reducing costs while maintaining quality, safety, service, and access for our patients will be crucial to financial success and our ability to achieve our goals.

UNIVERSITY AUXILIARY ACTIVITIES

WHAT YOU NEED TO KNOW ABOUT AUXILIARY ACTIVITIES

The University has large, self-sustaining auxiliary business enterprises. These activities are different from those supported by tuition, state appropriations, and federal and state grants or contracts in that they generate operating revenue, not budget authority. Some of these large business enterprises include:

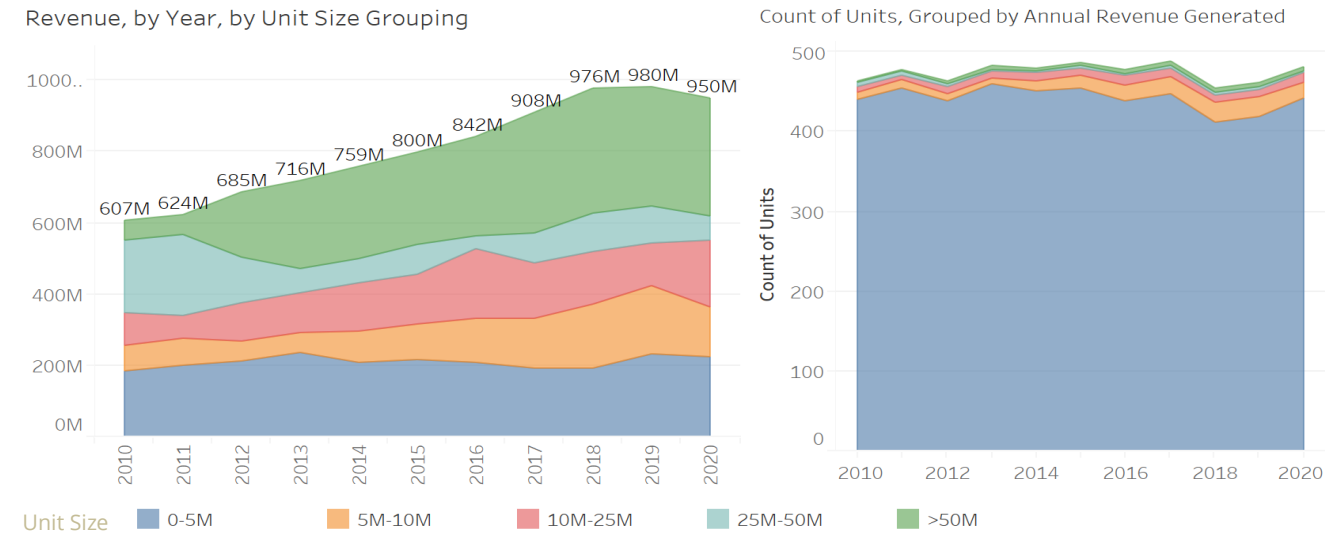
- UW Parking and Transportation Services;
- Housing and Dining;
- Intercollegiate Athletics (ICA);
- Continuum College;
- Graduate Medical Education (GME); and
- Lab Medicine.

Due to the nature of their business and, in some cases, the debt covenants associated with their participation in the UW's Internal Lending Program (ILP), these auxiliaries tend to carry sizable balances. Although UW Medicine is considered an auxiliary, it is identified separately in the previous section of this document, due to its size relative to the other UW auxiliary business enterprises.

Any school, college, campus, or administrative unit may have several types of auxiliary budgets. Excluding UW Medicine, **there are approximately 3,000 auxiliary budgets owned and managed by over 470 departments across the University.**

Activity is concentrated in the handful of units noted above, with just 1 percent of all auxiliary units generating more than \$50 million per year in revenue and greater than 90 percent of all auxiliary units generating between \$0 and \$5 million per year in revenue. The 1 percent of auxiliary units each generating greater than \$50 million per year in revenue account for greater than a third of total auxiliary revenue, while the 90 percent of auxiliary units that generate between \$0 and \$5 million per year account for just under a quarter of total auxiliary revenue. Figure 12, below, shows these data over the last ten fiscal years.

Figure 12: Auxiliary Unit Trends (FY10-FY20)



Ultimately, unit leads (e.g., chancellors, deans, and vice presidents or vice provosts) are responsible for the financial performance of self-sustaining programs within their units. However, **a variety of central and external controls exist to support unit-level auxiliary oversight**. For example, the Office of Planning & Budgeting monitors auxiliary budgets for deficits, external entities audit a number of the large auxiliary units on an annual basis, and Financial Stability Plans are required of auxiliaries that have not met debt covenants. Please see the “Auxiliary Budget Oversight” section on page 67 for more details. To check assumptions and further assess financial health, the administration discretely reports larger auxiliary units’ revenue and expenditure projections.

Auxiliary budgets are defined by two different categories: (1) Auxiliary Educational Activities, and (2) Auxiliary Enterprises and Internal Services:

- **Auxiliary Educational Activities** are typically referred to as departmental revenue budgets. Their major source of revenue is external (general public, students, etc.) and includes:
 - Activities relating to the educational mission of the UW;
 - Activities providing an educational or academic service;
 - Course fees;
 - Extension credit fees; and
 - Visitor fees.
- **Auxiliary Enterprises and Internal Services** are non-academic in nature, though they may indirectly support the academic mission of the UW. Their major source of revenue is internal—often a recharge center or service center—though many provide ancillary support or shared administrative services to Principal Investigators working on research grant or contract activity:
 - **Recharge Center** budgets charge less than \$175,000 per year to federally sponsored programs *and* generate less than \$1 million per year in revenue.
 - **Service Center** budgets charge more than \$175,000 per year to federally sponsored programs *or* generate more than \$1 million per year in revenue.

REVENUES AND EXPENSES – AS OF JUNE 1, 2021

The FY22 Annual Review process represented the fourth year in which unit-level, multi-year financial forecasts were collected across the UW. Deans, vice presidents, and vice provosts were required to submit five-year revenue and expenditure projections, on a consolidated basis, for all self-sustaining business units under their purview to OPB for evaluation of the use of assumptions and to identify trends that needed to be explored further. This provided business unit-specific insight into material auxiliary activities across the enterprise and submitted data incorporated known business conditions **prior to the expanded roll out of COVID-19 vaccination information**.

At the time this document was drafted, uncertainty continued to surround the fiscal outlook and future business operating conditions of nearly all of the UW’s self-sustaining and auxiliary educational enterprises, though we now have a better sense of how our auxiliary units have been impacted thus far and have responded over the last year. The range and degree of impacts to the auxiliary has varied widely across the University, depending on factors such as reliance on in person activity, the types and nature of services offered and ability to operate in accordance with state and federal pandemic policies in place over the last year.

Certain areas of the auxiliary have experienced precipitous losses in revenue with limited ability to scale operating costs to the reduced revenue basis, thus have relied upon operating reserves or institutional support to the extent these options are available. Examples of self-sustaining units that fall into this category include Housing and Food Services, Intercollegiate Athletics, UWB Housing Operations and UWT Court 17. Other areas of the auxiliary have seen an increase in activity due to the nature of their business, particularly the Lab Medicine auxiliary unit, which has served a key role in the University's COVID-19 testing program. Given that Lab Medicine is one of the largest auxiliary units, the exponential growth in revenues and expenditures in this unit due to the pandemic has an outsized impact on the overall trajectory of the institution's auxiliary performance.

While there continue to be many unknowns related to the timing and nature of "reopening", information gathered throughout the annual budget development process suggests the UW is likely to experience a gradual "return to normal" in the auxiliary space. Some self-sustaining units, such as Parking and Transportation Services and Housing and Food Services expect to see activity pick up with the Return to Work/Back to School initiatives, while others expect to see a less immediate return to pre-COVID operations as pandemic impacts wane over time.

With the information known at the time of document publication, coupled with a better understanding of the federal funding landscape for revenue loss recovery and extraordinary expenditure reimbursement, the projections outlined below are reflective of a return to "in person" activities in the fall.

Revenue in Tables 12 and 13, below, is net revenue for the fiscal year, which includes Internal Lending Program (ILP) debt service and any funds transferred into or from the self-sustaining program(s). Expenses include any expense transfers or Cost Transfer Invoices that post to the program, as well as the normal operations, salary, and benefit costs. As a reminder, many self-sustaining budgets are charged an institutional overhead tax (per [Administrative Policy Statement 33.2](#)), which helps cover utilities, maintenance, and other costs incurred by the operation of these activities.

Table 12: FY21 Self-Sustaining Projected Revenue, Expenses, and Balances¹

Auxiliary Group	Unit Group	Actual Beginning Balance	Projected Revenue	Projected Expense	Projected Ending Balance
Auxiliary Educational	All Locations	74,881,000	143,497,000	136,967,000	81,411,000
Subtotal - Aux Education		74,881,000	143,497,000	136,967,000	81,411,000
Other Auxiliary Enterprises	UW Seattle	310,591,000	810,350,000	807,792,000	313,149,000
	UW Bothell	16,742,000	14,171,000	14,733,000	16,180,000
	UW Tacoma	4,763,000	8,797,000	8,825,000	4,735,000
Subtotal Other Aux Enterprises		332,096,000	833,318,000	831,350,000	334,064,000
Total Auxiliary		406,977,000	976,815,000	968,317,000	415,475,000

¹ Balances include service and recharge center working capital, stabilization/risk mitigation funds, and committed/uncommitted reserves.

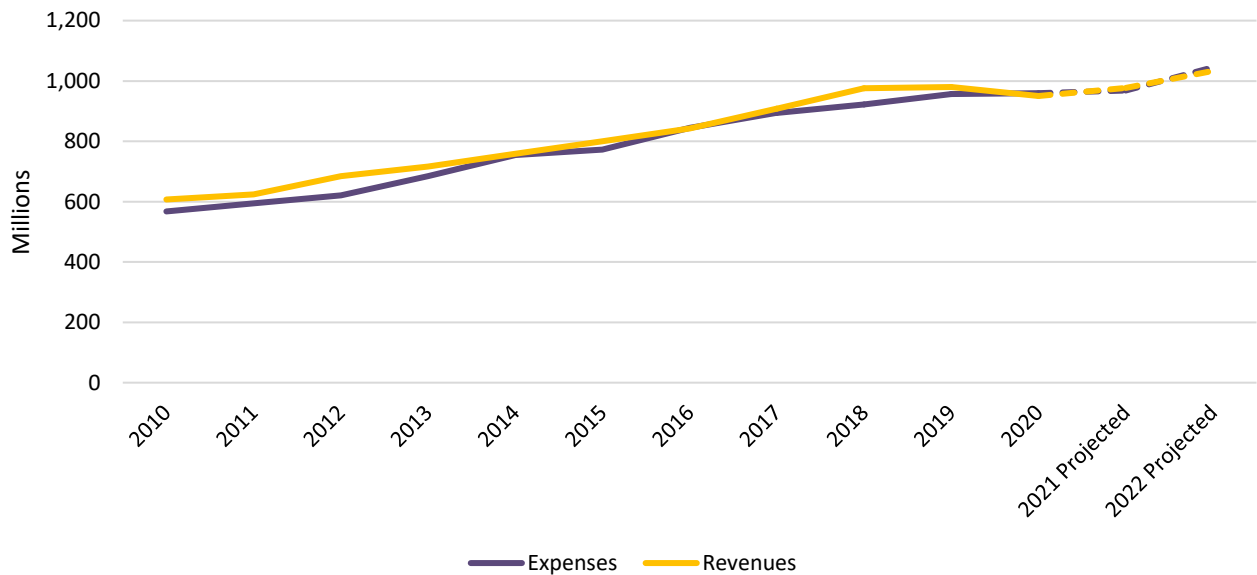
Table 13: FY22 Self-Sustaining Projected Revenue, Expenses, and Balances¹

Auxiliary Group	Unit Group	Projected Beginning Balance	Projected Revenue	Projected Expense	Projected Ending Balance
Auxiliary Educational	All Locations	81,411,000	146,367,000	140,324,000	87,454,000
Subtotal - Aux Education		81,411,000	146,367,000	140,324,000	87,454,000
Other Auxiliary Enterprises	UW Seattle	313,149,000	860,727,000	878,907,000	294,969,000
	UW Bothell	16,180,000	14,655,000	14,824,000	16,011,000
	UW Tacoma	4,735,000	11,500,000	10,997,000	5,238,000
Subtotal Other Aux Enterprises		334,064,000	886,882,000	904,728,000	316,218,000
Total Auxiliary		415,475,000	1,033,249,000	1,045,052,000	403,672,000

¹ Balances include service and recharge center working capital, stabilization/risk mitigation funds, and committed/uncommitted reserves.

To provide context for these data relative to historical activity, Figure 13 depicts consolidated revenues and expenses from FY10 through FY20, and projections for FY21 and FY22.

Figure 13: Auxiliary Revenue and Expense Trends (excluding UW Medicine)



POWER OF PHILANTHROPY: GIFTS & ENDOWMENT DISTRIBUTIONS

The UW is fortunate to benefit from an incredible legacy of private support, including the successful execution of three comprehensive campaigns the most recent of which—Be Boundless—ended in June 2020. Be Boundless met each of its key goals: strengthening the brand and reputation of the University, engaging tens of thousands of new external stakeholders in the UW’s public mission, and increasing private support to a sustainable plateau of \$600 million annually (including private grants, which for this report are included within the Research Enterprise section), nearly double the baseline prior to Be Boundless.

Table 14, below, shows changes between the FY21 adopted budget, revised projections for FY21, and the projected FY22 budget. The gift income figure—defined as current-use support—is a subset of total annual private support, which Advancement projects will again exceed \$600 million in FY21. It does not include new endowment gifts or revenue from private grants (approximately \$250 million per year). Gift income for FY21 is tracking in line with revised projections.

Table 14: FY22 Annual Gift & Endowment Distributions

	FY21 Projected	FY21 Revised	Percent Variance (FY21 Projected to FY21 Revised)	FY22 Projected	Percent Change (Revised FY21 to FY22)
Gift Income	302,000,000	321,000,000	6.3%	333,000,000	3.7%
Endowment Distributions	129,000,000	134,000,000	3.9%	134,000,000	0%
Total	431,000,000	455,000,000	5.6%	467,000,000	2.6%

GIFT INCOME

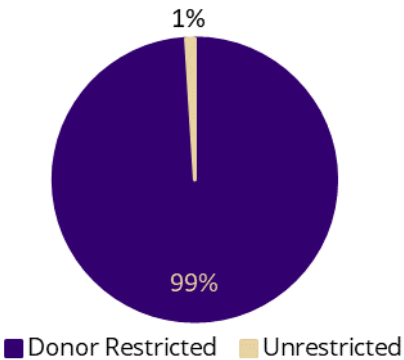
The \$333 million FY22 gift income projection, shown in Table 14, reflects continued fundraising for current initiatives and long-term priorities, including support for students, faculty, programs, and key academic facilities. The 3.7 percent growth rate is in line with UW historical trends and sector trends.

ENDOWMENT DISTRIBUTIONS

The UW’s endowment is composed of over 5,000 individual endowments, each with its own unique purpose. Individual endowments are commingled for investment purposes. As Figure 14 shows, of the UW’s total endowment, **99 percent is restricted to donor-directed purposes**, leaving only 1 percent for the UW to use at its discretion for items such as general University operations and University-wide compensation increases.

As seen in Figure 15, below, the UW’s endowment serves core academic programs, with more than two-thirds directly supporting students and faculty.

Figure 14: Composition of UW Endowment

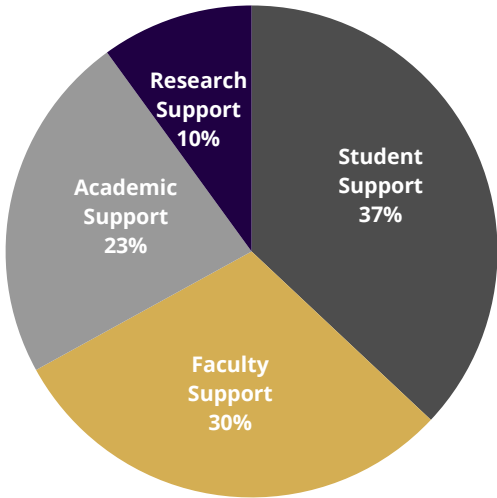


The UW Board of Regents considers long-term inflation-adjusted returns and risk levels to establish sustainable investment and spending policies. In times of strong market performance, the UW builds reserves so that in bad markets, the UW can sustain spending and limit disruption to essential academic programs.

Annually, donors contribute endowment gifts totaling more than \$50 million, as well as fund current initiatives and priorities that allow the UW to meet today’s greatest challenges.

Endowments provide a quarterly income stream to the donors’ designated purpose in perpetuity. Distributions from the Consolidated Endowment Fund (CEF) are governed by the UW’s spending policy set by the Board of Regents. The endowment distribution policy was changed in FY19 to step down from 4.0 percent to 3.6 percent in FY22, which is explained on page 73.

Figure 15: Endowment Support by Purpose



*Excludes operating funds and non-University endowments

STRENGTH OF IDEAS: RESEARCH ENTERPRISE

The UW's record securing research funding is truly exceptional—it is one of the few universities in the United States with total research expenditures exceeding \$1 billion. In 2019 (the most recent national data available), the UW had more externally sponsored research and development (R&D) funding than any other university in the nation with the exception of Johns Hopkins University. The UW's success in securing research grants and contracts and the research productivity associated with that success translates to consistently high scores in national and international rankings. The National Taiwan University ranks the UW 8th overall internationally, 5th nationally, and 1st among domestic public universities for the quality and impact of research endeavors, and in 2021 U.S. News ranked the UW 8th among world universities, 3rd among world public universities in the "Best Global University Rankings."

Another measure of research competitiveness can be demonstrated through the UW's share of externally-sponsored R&D expenditures, compared to other higher education institutions. As Table 15 shows, the UW has maintained its significant share of total federal and non-federal research expenditures over the last five years as the total pool of funding has increased.

Table 15: UW R&D Expenditures - Federal and Non-Federal Market Share

	2015	2016	2017	2018	2019
Total expenditures	51,956,071,000	53,858,346,000	56,290,643,000	58,890,441,000	62,386,645,000
Total UW	1,121,373,000	1,182,611,000	1,220,260,000	1,269,570,000	1,308,260,000
Market share	2.16%	2.20%	2.17%	2.16%	2.10%

Source: National Science Foundation Higher Education Research & Development Survey (HERD), 2019.

Examples of **major awards** in FY20 include:

- \$15 million from the National Institute of Mental Health to fund clinical trial research on care models for individuals with opioid use disorders co-occurring with mental health conditions.
- \$12 million from Merck Sharp & Dohme Corp. for a clinical trial to study prostate cancer treatments.
- \$11 million from the Health Resources and Services Administration to fund an international training and education center on HIV.
- \$10 million from the Bill and Melinda Gates Foundation to study coronavirus treatments.
- \$8 million from the National Heart, Lung, and Blood Institute (NHLBI) to establish the UW's Centralize Omics Resource (UW CORE) as part of NHLBI's Trans-Omics for Precision Medicine (TOPMed) Program.
- \$5 million from the John S. and James L Knight Foundation to support the Center for an Informed Public.
- \$5 million from the Department of Energy to enhance testing and research infrastructure at the Pacific Marine Energy Center.

Sponsored projects supported over 14,000 employees during FY20, including over 2,700 graduate students and close to 1,000 postdocs. Over 5,500 FTE employees were paid on sponsored research funding.

FEDERAL OUTLOOK

While the UW continues efforts to diversify its research portfolio, federal awards still represent approximately 76 percent of sponsored research expenditures. Although bipartisan support for Federal research and development remains strong in both chambers of Congress, near-term increases to R&D budgets are still uncertain.

The UW administration will continue to monitor the situation and develop plans to quickly respond to any changes in federal funding, including changes resulting from the COVID-19 pandemic, or federal funding constraints that may result from tightening federal fiscal policy in subsequent fiscal years. Note that the UW has received approximately \$108 million in COVID-related research awards as of May 16th, 2021.

ESTIMATED SPONSORED PROJECTS EXPENSES

Table 16, below, shows a breakdown of projected sponsored research expenses in FY21 (original and revised projections) and FY22. The University is currently projecting an increase of expenditures in FY22 based on expenditure and awards trends through February of FY21. Additionally, please note that these numbers represent not only all sponsored projects at the UW (R&D as well as non-R&D), but also certain financial aid that is included in research totals for accounting purposes (~\$123 million). Lastly, please note that direct and indirect expenditures do not necessarily align when comparing them to research awards. This is mainly due to two reasons: 1) some research awards are multi-year awards received in a single year, and 2) awards are received throughout the state fiscal year and are not spent on the state fiscal year time frame.

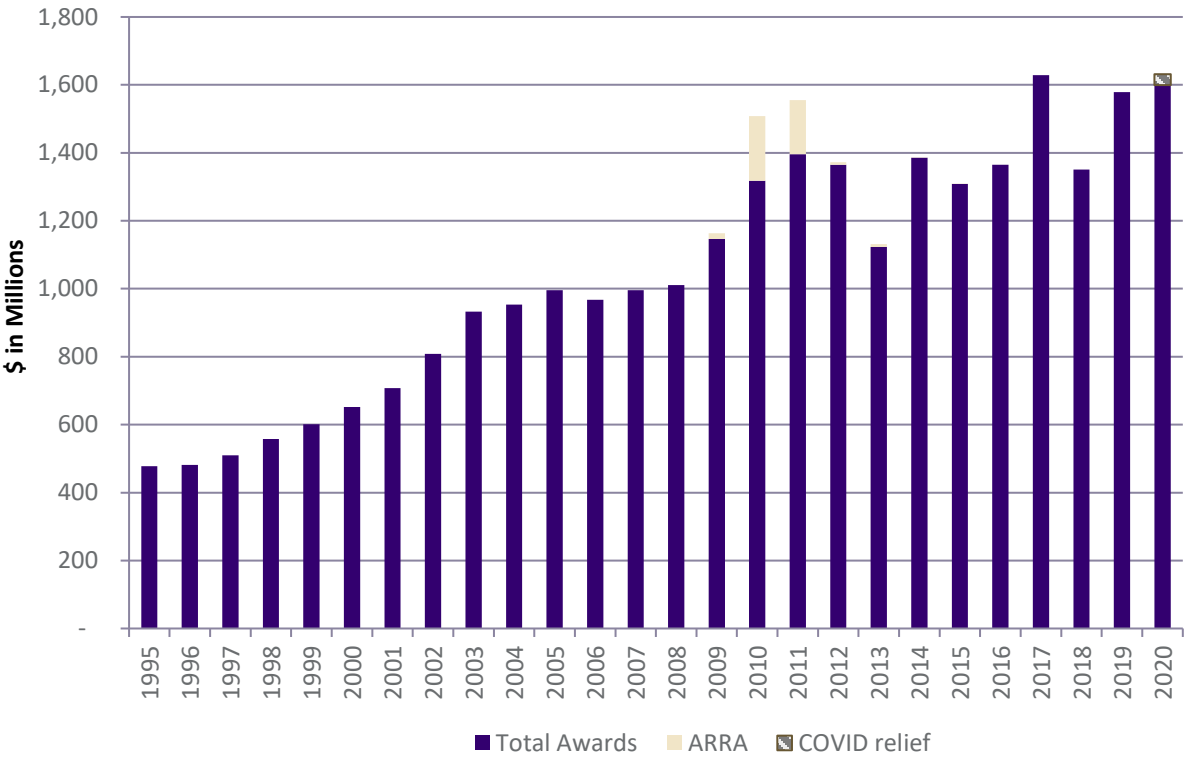
Table 16: Projected Sponsored Research Expenses with Breakout of Indirect Costs

	FY21 Adopted	FY21 Revised	FY22 Projected	Percent Change (Revised FY21 to FY22)
Federal	859,379,000	853,107,000	871,833,000	2.2%
State & local grants	111,113,000	129,385,000	129,385,000	0.0%
Nongovernmental	254,148,000	235,743,000	241,600,000	2.5%
Indirect Research Expenses	282,170,000	283,226,000	289,221,000	2.1%
Total	1,506,810,000	1,501,461,000	1,532,039,000	2.0%

AWARD TRENDS

Figure 16, below, provides a historical look at the UW's total grant and contract awards by year, with a breakout for American Recovery and Reinvestment Act (ARRA) grants and COVID relief funding. As the figure shows, the UW's grant and contract awards have steadily increased with time. Note that FY13 numbers are artificially low due to award delays caused by sequestration and that FY17 numbers spiked due a single 10-year, \$280 million award from the Bill and Melinda Gates Foundation to the School of Medicine. Increases since FY18 have been distributed across multiple schools/colleges and departments.

Figure 16: Total Grant and Contract Awards by Year (1995-2020)



CONCLUSION: THE WORK AHEAD

The University has weathered unprecedented and significant challenges since March 2020. Our work to effectively manage and deploy funding in a way that best serves our students, state, and region has never been more important, and we are proud of our work to effectively manage resources during the pandemic, allowing for a strong foundation for future growth and development.

The University's administration will continue to be vigilant and holistic in its financial decisions. It is as important as ever to monitor and mitigate the financial performance of each operating unit and the University as a whole as we recover from the pandemic and face new challenges. Importantly, we will engage our community, especially our faculty and academic leadership, in a transparent, values-driven process as the scale of the ongoing impact of the pandemic becomes clearer. The vitality of our community, its resilience and toughness, will be crucial as we manage our way through these challenges together.

As we plan for the future, the University will continue to be thoughtful in forecasting and managing unknowns, relying upon its foundation as a place of discovery, inquiry, and community as we position our great public university for a bright future.

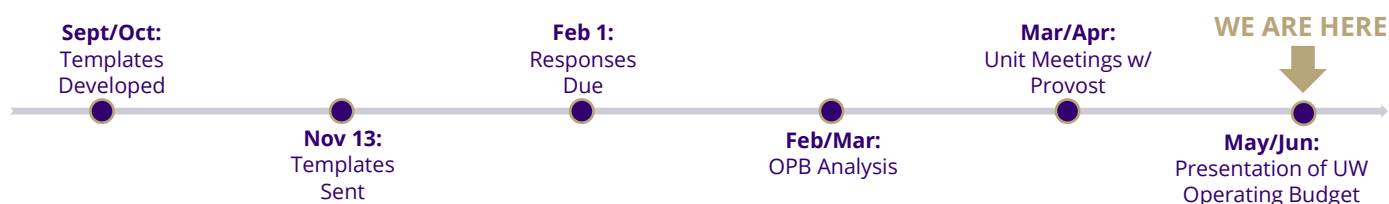
ENSURING SOUND BUDGET MANAGEMENT

As a public institution, it is essential that the University manage its resources to most effectively serve our students, faculty, staff, and the citizens of our state and region. This involves careful consideration of revenues and expenditures including budget oversight and informed distribution of resources. This section outlines central budget oversight strengths, as well as limitations, and concludes with an overview of budget policies and Activity Based Budgeting (ABB) distribution rules.

ADMINISTRATIVE DUE DILIGENCE

ANNUAL REVIEW AND BUDGET DEVELOPMENT PROCESS

The Annual Review process is a nine-month budget development and holistic assessment effort that involves deans, faculty, staff, and students. Through this process, the Provost and President work to identify and fund institutional and unit-specific strategic goals and address resource constraints. This process also serves as an early warning system to identify and address potential deficits within units (schools, colleges, campuses, and major Seattle administrative offices). The first step is for all units to complete a suite of materials in preparation for annual review meetings. These submissions were due February 1 and are publicly available at the Office of Planning & Budgeting's [Annual Budgets](#) webpage. Meetings between units and the Provost were held in late March and early April. The end result is a new University operating budget for the Board of Regents' consideration.



In the February 1 submissions, units were asked to provide:

- **Quantitative and qualitative information in connection with strategic plans and goals**, such as how those goals could result in material changes to revenues or expenditures, faculty or staff workload, student experience, and space assignments.
- Three years of actual budget authority, revenue, and expenditure data and **five years of detailed financial plans**, accompanied by questions about overall financial health and efforts to improve financial position.
- **Student and employee growth or contraction summaries**, along with employee hiring trends, strategies, and recruitment or retention challenges.
- **Updated carryover (reserve) spending plans** with new estimates, and an explanation of changes.
- **Tuition rate recommendations**, justified by the use of incremental revenue, peer comparisons, considerations for student debt, and a “no increase” scenario.
- **Confirmation of student and faculty consultation** regarding tuition increases and the overall annual review submission.

Improvements to this year's process included:

- **Expanded the breadth of our qualitative data collection**, to include an (at the time) hypothetical 5 percent budget reduction exercise.
- **Providing enhanced technical and nontechnical process guides**, making questions clearer and conducting more outreach in order to limit the number of follow-up questions by units and the Office of Planning & Budgeting (OPB).
- **Developed standardized executive dashboards**, so executive leadership could spend more time focused on areas of impact unique to each university business unit

In summary, robust information and data are combined with forecasting tools and consultative processes to ensure sound programmatic and fiscal vitality for units and the University as a whole. The Annual Review process allows the Provost and President to ask units how they are aligning their unit-level use of resources with strategic plans and the University's priorities. It also allows the Provost and OPB to review the interplay between ABB, each unit's long-range financial plans, and institutional-level goals. Throughout this process, OPB has continued its work to identify, analyze, and resolve existing and forecasted deficits within the funds it monitors, as part of the Provost's overall efforts to ensure that all units are operating within the available budget.⁴

Future budget cycles will continue to be managed with the goal of continuous improvement.

AUXILIARY BUDGET OVERSIGHT

The University's large, self-sustaining auxiliary business enterprises include UW Continuum College, Housing and Food Services, Lab Medicine (within the School of Medicine), Intercollegiate Athletics, and Parking and Transportation Services. UW Medicine is also an auxiliary, but, given its size and unique mission, it is typically identified separately and it has additional oversight and budget controls beyond those described below.

Chancellors, deans, vice presidents, vice provosts, vice chancellors, and directors are delegated authority to manage revenues and expenses associated with each auxiliary unit or unit with self-sustaining activities. In addition, **various central and external controls support unit-level auxiliary budget oversight**:

- Supporting the Provost and President, OPB monitors all self-sustaining, general, and local operating fund budgets for deficits. APS 37.1 Monitoring, Mitigating and Resolving Fiscal Deficits, was implemented with the broad support and input from the university community. This policy is a comprehensive update and formalization of the deficit policy first put into place in FY10 and clearly outlines roles, responsibilities and corrective actions that must be taken to mitigate a forecasted deficit or resolve an existing deficit.
- For units that have not met debt covenants associated with an internal loan, a Financial Stability Plan is required and must be shared with the Board of Regents, in accordance with policy.
- Many of the University's major auxiliary units are audited annually. In addition, many smaller auxiliary programs conduct annual audits or other external reviews with outside firms.

⁴ The University's deficit resolution policy is available here: <http://www.washington.edu/opb/uw-budget/budget-policies/>

- UW Finance conducts annual reviews of large, non-externally audited self-sustaining or recharge units with more than \$10 million in revenue.
- Some of these auxiliary units, such as Continuum College and Housing & Food Services, charge fees. Where Regents have reserved fee-setting authority, rate approvals and/or fee change requests are brought to Regents for action. See “Tuition and Fee Setting Authority,” below, for more details.
- UW Finance reviews initial rate proposals to establish both service and recharge centers, and reviews rates annually thereafter. Deans, vice presidents, and vice provosts are expected to review recharge center rates annually.

For more information about University Auxiliary Activities, see page 56.

TUITION AND FEE-SETTING AUTHORITY

State law gives the Board of Regents broad authority to set fees necessary to run the University, but also requires that certain fee impositions and increases be approved by the legislature. Legislative approval is achieved through disclosures of possible and known fee increases.

Regents retain tuition-setting authority for all categories, but must comply with the state legislature’s resident undergraduate tuition policy. Every June, the administration brings tuition recommendations to the Board for approval. These recommendations are the result of staff, faculty, student, and academic leadership collaboration. Note that the University’s ability to increase tuition rates is constrained by a variety of factors, as described in the “Background” section.

As a general policy, **other academic fees that apply to all students on a given campus require the review and approval of the Board of Regents.** These include:

- New Student Enrollment & Orientation Fee;
- Student Technology Fee;
- Services and Activities Fees;
- Dedicated fees for transportation and bond payments on student-funded capital projects and sports facilities; and
- Housing and dining fees, as applicable.

In spring 2016, OPB began providing cost of attendance information to the Board of Regents to help the Board make informed decisions about changes to these fees. The “Cost of Attendance” document, which now accompanies all fee proposals going to the Board, lists all mandatory fees paid by undergraduate students at each campus and shows five years of trend data for each fee. Each June, a “Proposed Cost of Attendance for First-Year UW Undergraduate Students” document accompanies the annual Proposed Operating Budget item, reflecting proposed changes to tuition and mandatory fees for the upcoming academic year. At the Board’s request, most fee proposals now include information about the effects of a “no increase” scenario.

The Board of Regents has delegated the approval of other academic fees to the President and Provost. These include application fees, transcript fees, course fees⁵, and study abroad fees.

Finally, **the Board has delegated approval of fee-based program rates (for programs that charge fees in lieu of tuition) to the Provost**, who sets rates after consulting with campus advisory bodies such as the Faculty Senate Committee on Planning & Budgeting and the Provost Advisory Committee for Students. An example of a large auxiliary unit that charges fees for programs is UW Continuum College, which offers a wide variety of fee-based instructional programs. In recent years, the Provost brought new rigor to the review of fee-based rate proposals and adjusted the approval timeline to provide students with more notice and to align decisions with other unit-level budget discussions.

Fee setting delegation is guided by [Executive Order No. 44, User Fee Approval Policy](#).

OTHER BUDGET CONTROLS

Unit leaders (e.g. chancellors, deans, vice presidents, and vice provosts) are responsible for the financial performance of all departments or offices within their organization. Each unit leader has a financial administrator or chief financial officer who is responsible for providing the leader with necessary information on a regular basis.

Other central controls, beyond those noted previously, serve to ensure that programs are sound in terms of quality, consistency, and financial health:

- **Internal Audit** seeks to provide audit coverage across the entirety of the University, deploying its resources in areas of increased risk or operations they have not audited in the recent past. In addition, the UW's Internal Audit office focuses its annual audit plan on areas of highest risk across the University's units and within its departments.
- **Training and outreach** is provided or required for certain expenditure types or programs. For example, Principal Investigators (researchers responsible for specific sponsored grants and contracts) are required to attend fiscal training and purchasing cardholders must attend training prior to taking card possession.
- **Workflow approvals** are incorporated into newer technology applications (e.g., procurement and travel and the new payroll system).
- The UW is also **accredited** by Northwest Commission on Colleges and Universities (NWCCU) and is a member of the Association of American Universities. The UW submitted the year 7 self-study in February, and the NWCCU conducted a site visit to the UW in April of this year.

⁵ Academic departments, with the approval of the respective dean or vice president, may add course fees to specific course sections. New course fees in excess of \$50 and course fee increases in excess of 10 percent of the prior approved fee amount must also be approved by the Provost's Office.

BUDGET POLICIES AND ABB DISTRIBUTION

In 2013, **the University fully implemented ABB with the goal of bringing more transparency and predictability into the budget process.** ABB is a resource allocation methodology under which budget allocations are associated with expected activity levels. ABB allocates net tuition revenue to the unit(s) that conduct the teaching activity and generate the revenue, providing greater alignment between activities and costs, business practice improvement, and budget process transparency. This model has been in use at the UW since FY10, with a soft launch in FY12 and full implementation in FY13.

The UW's ABB model was developed during a time of enrollment growth, tuition increases, and flat compensation. Since then, the UW has experienced relatively flat enrollments, expenditures growing faster than revenues, and undergraduate shifts in major of study area and class level. Because of these changes, revisiting and adjusting the model is key for our shared successes across the University.

When ABB was fully adopted, a commitment was made to leave the basic elements in place for five years to provide an opportunity to understand the impacts of ABB as it was initially structured. In the meantime, an ABB review committee was formed to monitor and review the model and to provide recommendations about possible changes. Recommendations from the ABB Phase II Committee, which examined and sought to remedy concerns that had been expressed by stakeholders, were approved by the Provost in December 2016 and went into effect in FY18. The most recent formal review process, ABB Phase III, began in January 2019. In February 2020, the Phase III steering committee completed a preliminary report summarizing the findings and recommendations from each subcommittee. The Provost and President accepted the Steering Committee recommendations in April 2020, but announced a one year implementation delay of a change to the supplement due to the budgetary uncertainty related to COVID-19. Related documents are posted on OPB's [ABB Committees and Reports](#) webpage.

Below are brief descriptions of the budget policies that guide our distribution of incremental operating resources throughout the University.

REINVESTMENT FUNDS

The UW's Provost Reinvestment Fund (PRF) was adopted concurrently with the implementation of ABB in FY13. PRF is primarily comprised of formulaic allocations of tuition revenues, indirect cost recovery, and institutional overhead. Under ABB, these central resources are allocated directly to the unit responsible for the activity; but first, a tax is taken to fund central administrative operations, strategic investments in student and faculty experience, and critical compliance efforts—shared expenses that would otherwise have no direct source of funds. The tax is part of the funds that the administration uses to address the President's and Provost's priorities for the University. Deployment of these funds is the result of a lengthy and highly consultative budget development cycle.

The sources of PRF are as follows:

- 30 percent of net tuition operating fee revenue generated by Seattle units;
- 30 percent of miscellaneous fees;
- 65 percent of indirect cost recovery;
- 100 percent of interest income, after fees and distributions of basis points to specific units;
- 100 percent of administrative overhead;

- 100 percent of institutional overhead; and
- 100 percent of debt service recapture.

These allocations are pooled by source fund type. State support for compensation, benefits, and tuition backfills are also included in PRF, but they are distributed out to units in line with other policies.

This year, OPB further refined the process by which campus business units request funds from the PRF, by implementing an online request portal and enhancing the types of information collected from campus units. This provided a greater level of detail covering things such as alignment with business unit strategic plans, matching funds provided by business units, and further detail on the intended use of funds by the business unit.

At this time, we are not planning on making commitments of new Reinvestment Funds unless driven to do so by compliance or truly critical needs.

GENERAL OPERATING FUND (GOF) DISTRIBUTION

State Appropriations: The University distributes state appropriations to campuses, schools, colleges, and administrative units in accordance with state policies and directions. While most incremental state funding comes to the UW in the form of “provisos,” which are directed to specific programs or efforts, some funding (e.g. funding for compensation) is available for broader distribution. Distribution under ABB: State funds with **no** legislative directive, though rare, are available to support the strategic priorities of the University and are distributed by the Provost, in consultation with academic and administrative leadership.

Tuition Operating Fee Revenue: 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, the “building fee” portion of tuition is credited to the UW Building Account and is to be used exclusively for constructing, altering, and maintaining buildings; these funds are appropriated by the legislature. Distribution under ABB: 70 percent of the net tuition operating fee revenue generated at UW Seattle is distributed to Seattle schools and colleges, and 30 percent is retained by the Provost for basic university functions and strategic investments. Increasingly, the amount retained centrally is used to fund compensation expenses in units. Tuition revenue generated at UW Bothell and UW Tacoma is distributed to those campuses.

For more information about the University’s General Operating Fund (GOF), which is composed of state general fund appropriations and tuition revenue, please see page 34.

DESIGNATED OPERATING FUND (DOF) DISTRIBUTION

Indirect Cost Recovery: Several negotiated rates of allowable facilities and administrative overhead fees govern the receipt of indirect cost recovery (ICR) revenue collected on federal grants and contracts.

Distribution under ABB: Units receive 35 percent of ICR they generate from the 12-month period ending March 31. In this case, a large portion of the funds retained by the central administration are used for debt service, building operations and maintenance, and utilities costs. UW Bothell and UW Tacoma receive the ICR revenue generated by each campus, less a component of the rate for services centrally supported on the Seattle campus.

Institutional Overhead: A percentage of self-sustaining units' revenue from the sale of goods and services is charged to recover costs for building use, physical plant operations and maintenance, and institutional support at the Seattle campus. The institutional overhead rate is applied to revenues associated with these activities. The UW has two main institutional overhead rate categories: on-campus and off-campus, determined by the location of the preponderance of effort by each entity. Rates are continuing at 15.60 percent for on-campus and 6.85 percent for off-campus activities. Distribution under ABB: Institutional overhead charges are received as revenue into the DOF pool of funds and is allocated back out to units via the Provost Reinvestment Fund process.

Remaining DOF: This includes investment income, Seattle summer quarter tuition, the Internal Lending Program risk fund, and administrative overhead charges to UW Bothell and UW Tacoma.

- *Seattle summer quarter:* Most summer quarter programs are operated by Continuum College. There is no state support for summer quarter activities and, historically, it has not been part of the ABB model. A "net revenue share" program was piloted with the College of Arts & Sciences, which is the largest participant by measure of student credit hours generated. A future state incentive model was developed by Continuum College, but the implementation was paused due to the uncertain impacts of COVID-19. For programs operated by Continuum College, a revenue and expenditure budget is developed and proposed to the Provost by the Vice Provost of Continuum College. Upon approval of this budget, revenue is transferred from DOF fund balance to cover the budgeted expenses. After the quarter is over, the fund balance is adjusted to reconcile with actual summer quarter tuition revenue and expenses. The net budget becomes part of the DOF pool of funds and is allocated back out to campus units via the Provost Reinvestment Fund process.
- *Administrative overhead:* These charges reflect a share of centralized administrative services provided by Seattle to UW Bothell and UW Tacoma, and are calculated as approximately 10 percent of GOF revenue for each campus, excluding funds for salary increases and funds for operations and maintenance.

Distribution: Remaining DOF revenues are distributed back to units as part of the budget process, via the Provost Reinvestment Fund process.

For more information about DOF, please see page 40.

SUPPLEMENT DISTRIBUTION

When ABB was fully implemented, a "hold harmless" agreement was struck with leadership on the Seattle campus. For the transition year, no unit was to receive less permanent GOF and DOF than it had the previous year. The difference between the GOF and DOF base from the prior year and the calculated tuition (after financial aid and tax) and indirect cost recovery (after tax) was distributed to units as "supplement."

Each year since, investments in unit supplements have been spelled out in annual allocation tables. Investments were categorized as "supplement" because they were not formula-driven tuition or indirect cost recovery. This includes funding from the state to tuition backfill, compensation, and provisos, and allocations from PRF.

As part of the ABB Phase III formal review, a subcommittee was tasked with analyzing and recommending changes to the calculated cutover portion of the supplement (the original "hold harmless"). The

subcommittee reported back on preliminary changes and justification, and the ABB Steering Committee put forth a final recommendation to set aside a small percentage of cutover funding over a three-year period. These funds will be redistributed to units in order to support academic program development and the subvention of cross-disciplinary initiatives.

GIFT INCOME AND ENDOWMENT DISTRIBUTION

Prior to February 2019, policy approved by the Board of Regents allowed 5 percent, or 500 basis points, of the endowment's average trailing 20-quarter market value to be distributed.⁶ In February 2019, the Board of Regents approved an amendment to the policy to reduce the total distribution rate to 4.5 percent, or 450 basis points, over a three-year period. The three-year phased reduction, outlined in Table 17 below, was developed with the intent of cushioning the impact of the spending policy reduction on campus units. FY22 will be the third and final year of the approved three-year phased reduction.

Table 17: Implementation Schedule for Endowment Distribution and Spending Policy

	Total Spending	Program Distributions	Administrative Fee
FY19	5.00%	4.00%	1.00%
FY20	4.90%	3.92%	.98%
FY21	4.70%	3.76%	.94%
FY22 & thereafter	4.50%	3.60%	.90%

It is important to note, that while the UW possesses a sizable endowment, endowment funds and gift income can only be used for the purposes specified by the granting agency or donors and are distributed to campus units in accordance with these specified purposes.

For more information about Gift Income and Endowment Distribution, please see page 60.

⁶ The average quarter market value is based on a trailing 20-quarter, or 5-year, average.

ACRONYM GLOSSARY

AAU	Association of American Universities
ABB	Activity Based Budgeting
ALNW	Airlift Northwest
ARRA	American Recovery and Reinvestment Act
BODC	Board of Deans & Chancellors
CAGR	Compound Annual Growth Rate
CARES	Coronavirus Aid, Relief, and Economic Security Act
CCE	Consolidated Clinical Enterprise
DOF	Designated Operating Fund
FTE	Full-Time Equivalent
FY	Fiscal Year
GASB	Governmental Accounting Standards Board
GOF	General Operating Fund
HMC	Harborview Medical Center
ICA	Intercollegiate Athletics
ICR	Indirect Cost Recovery from Research
ILP	Internal Lending Program
IPEDS	Integrated Postsecondary Education Data System
NIH	National Institutes of Health
NWCCU	Northwest Commission on Colleges and Universities
NWH	Northwest Hospital & Medical Center, now called UW Medical Center (UWMC) - Northwest
OFM	Governor's Office of Financial Management
OPB	Office of Planning & Budgeting
RA	Research Assistant
RUG	Resident Undergraduate
SCPB	Faculty Senate Committee on Planning & Budgeting
SCH	Student Credit Hour
SoM	School of Medicine
STEM	Science, Technology, Engineering, and Mathematics
TA	Teaching Assistant
UW	University of Washington
UWINCO	University of Washington Investment Management Company
UWMC	University of Washington Medical Center
UWNC	UW Neighborhood Clinics
UWP	UW Physicians
VMC	Valley Medical Center
WWAMI	Washington, Wyoming, Alaska, Montana, and Idaho Regional Medical Education Program

UW Intercollegiate Athletics | FY22 Proposed Budget

based on information available as of May 20, 2021

FY22 - Mid Range Scenario	
Beginning Fund Balance (does not incl. capital gifts)	\$19,572,000

REVENUE

Gate Revenue	\$21,458,000	a)
Contributions	\$28,261,000	b)
NCAA / Conference	\$39,786,000	c)
Royalties, Adv & Sponsorships	\$12,963,000	
Tuition Waivers / HEERF II Funding	\$4,613,000	
Other Revenue	\$8,782,000	d)
TOTAL REVENUE	\$115,863,000	

Revenue notes:

- a) Assumes 50% capacity at football in fall 2021 (30K fans)
- b) Reflects return to typical fundraising efforts (\$5M annual, \$23M seat-related)
- c) Assumes Conference distributions return to pre-COVID level (no loss of TV revenue due to game cancellations)
- d) Other Revenue reflects game day revenue based on 50% capacity (concessions, parking, etc.) and the ability to host outside events (i.e. graduation) in spring 2022

EXPENSE

Salaries	\$39,268,000	e)
Benefits	\$9,817,000	
Athletics Student Aid	\$16,688,000	f)
University Overhead	\$0	g)
Sport Operational Expenses	\$47,356,000	h)
TOTAL OPERATING EXPENSES	\$113,129,000	

Expense notes:

- e) Assumes no additional furloughs, voluntary salary reductions, position eliminations, etc.
- f) Aid estimation reflects roster sizes given returning fall sport seniors, and tuition increases proposed by OPB
- g) University Overhead exemption approved by leadership
- h) Assumes full operations, teams returning to typical competitive schedules. Also includes \$1.75M placeholder related to Name, Image, and Likeness and NCAA vs. Alston case outcomes.
- i) Reflects Internal Lending Program rate reduction from 4.25% to 4.00%
- j) Pending Board of Regents approval in June 2021
- k) Includes replacement of turf in Husky Stadium (significant expense, needed every 5-7 years for safety of student athletes)

Debt Service	\$13,990,000	i)
<i>Pending: Board approval of ILP payment coverage via Rate Stabilization Fund</i>	<i>(\$10,000,000)</i>	j)

Minor Capex/Deferred Maint	\$3,760,000	k)
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CASH FLOW AFTER INVESTMENT IN CAPITAL	(\$5,016,000)
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Reserve adjustments: cash vs. accrual, football refunds

Forecasted Ending Reserve Balance	\$14,556,000
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2021-22 COST OF ATTENDANCE FOR FIRST-YEAR UW UNDERGRADUATES

This table shows student budgets for the regular academic year: fall, winter, and spring quarters.

Annual Student Budget Items	Bothell	Seattle	Tacoma
Room & Board ¹ (traditional undergraduates)	\$14,154	\$14,871	\$13,194
Books, Personal, Transportation ¹	\$4,773	\$3,693	\$4,260
Annual Student Fees – Total ²	\$1,353	\$1,503	\$1,431
<i>New Student Enrollment & Orientation Fee (NSEOF) – one time fee</i> ³	\$330	\$354	\$162
Student Tech Fee	\$126	\$114	\$120
Services and Activities Fee	\$300	\$453	\$474
Student Activities Center	\$441		
Student Activities Center Programming	\$66		
Sports Field	\$90		
Facilities Renovation Fee		\$210	
Intramural Activities Building		\$96	
U-PASS ^{4,5}		\$276	\$135
YMCA ⁵			\$540
Resident Annual Tuition	\$10,927	\$10,927	\$10,927
Resident Annual Total	\$31,207	\$30,994	\$29,812
Non-Resident Annual Tuition	\$38,757	\$38,757	\$38,757
Non-Resident Annual Total	\$59,037	\$58,824	\$57,642

¹ Annual student budgets for these items are based on the federal "cost of attendance" definition, which is used to determine financial aid eligibility: <https://www.washington.edu/financialaid/getting-started/student-budgets/>

² Student-led committees are responsible for all fees under this header, except NSEOF. For the NSEOF, student representatives provide support recommendations, which campus administrations weigh when developing proposals for Regental approval. Regents approve rate changes for all fees except U-PASS, which is governed by Regent-approved MOUs. Please note that many students pay fees beyond those presented here, such as course fees (which vary by discipline) and student insurance fees.

³ The effective date of each new NSEOF rate varies by campus. Bothell will begin charging its new rate in Winter 2022 to students entering in Winter 2022. Seattle will begin charging its new rate in Spring 2022 to students entering in Spring 2022. Tacoma will begin charging its new rate in Fall 2021 to students entering in Winter 2022.

⁴ Tacoma's U-PASS fee of \$45/quarter was first charged in Spring 2019. For UW Tacoma students residing in Thurston County, the U-PASS fee is \$20/quarter, or \$60 for the regular academic year.

⁵ During the COVID-19 pandemic, some fees (e.g., U-PASS, STF, YMCA) were reduced or waived in certain quarters based on action by student committees and/or the Board of Regents. Rates shown are those approved by Regents for each academic year.

COST OF ATTENDANCE TREND DATA BY CAMPUS

BOTHELL	2017-18	2018-19	2019-20	2020-21	2021-22	5yr Change
Room & Board ¹ (traditional undergraduates)	\$11,259	\$11,877	\$12,636	\$13,191	\$14,154	\$2,895
Books, Personal, Transportation ¹	\$4,614	\$4,689	\$4,689	\$4,773	\$4,773	\$159
Annual Student Fees - Total ²	\$1,302	\$1,311	\$1,350	\$1,350	\$1,353	\$51
<i>NSEOF - one time fee</i> ³	\$300	\$300	\$330	\$330	\$330	\$30
Student Tech Fee	\$126	\$126	\$126	\$126	\$126	\$0
Services and Activities Fee	\$279	\$288	\$297	\$297	\$300	\$21
Student Activities Center	\$441	\$441	\$441	\$441	\$441	\$0
Student Activities Center Programming	\$66	\$66	\$66	\$66	\$66	\$0
Sports Field	\$90	\$90	\$90	\$90	\$90	\$0
Resident Annual Tuition	\$9,909	\$10,127	\$10,370	\$10,629	\$10,927	\$1,018
Resident Annual Total	\$27,084	\$28,004	\$29,045	\$29,943	\$31,207	\$4,123
Non-Resident Annual Tuition	\$34,473	\$35,508	\$37,071	\$37,998	\$38,757	\$4,284
Non-Resident Annual Total	\$51,648	\$53,385	\$55,746	\$57,312	\$59,037	\$7,389
SEATTLE	2017-18	2018-19	2019-20	2020-21	2021-22	5yr Change
Room & Board ¹ (traditional undergraduates)	\$12,117	\$12,798	\$13,296	\$13,887	\$14,871	\$2,754
Books, Personal, Transportation ¹	\$3,504	\$3,633	\$3,633	\$3,693	\$3,693	\$189
Annual Student Fees - Total ²	\$1,375	\$1,390	\$1,433	\$1,463	\$1,503	\$128
<i>NSEOF - one time fee</i> ³	\$310	\$310	\$338	\$347	\$354	\$44
Student Tech Fee	\$114	\$114	\$114	\$114	\$114	\$0
Services and Activities Fee	\$393	\$408	\$423	\$438	\$453	\$60
Facilities Renovation Fee	\$210	\$210	\$210	\$210	\$210	\$0
Intramural Activities Building (IMA)	\$96	\$96	\$96	\$96	\$96	\$0
U-PASS ⁵	\$252	\$252	\$252	\$258	\$276	\$24
Resident Annual Tuition	\$9,909	\$10,127	\$10,370	\$10,629	\$10,927	\$1,018
Resident Annual Total	\$26,905	\$27,948	\$28,732	\$29,672	\$30,994	\$4,089
Non-Resident Annual Tuition	\$34,473	\$35,508	\$37,071	\$37,998	\$38,757	\$4,284
Non-Resident Annual Total	\$51,469	\$53,329	\$55,433	\$57,041	\$58,824	\$7,355
TACOMA	2017-18	2018-19	2019-20	2020-21	2021-22	5yr Change
Room & Board ¹ (traditional undergraduates)	\$10,650	\$11,028	\$11,748	\$12,258	\$13,194	\$2,544
Books, Personal, Transportation ¹	\$4,614	\$4,689	\$4,209	\$4,260	\$4,260	-\$354
Annual Student Fees - Total ²	\$1,237	\$1,279	\$1,428	\$1,428	\$1,431	\$194
<i>NSEOF - one time fee</i> ³	\$100	\$100	\$159	\$159	\$162	\$62
Student Tech Fee	\$120	\$120	\$120	\$120	\$120	\$0
Services and Activities Fee	\$477	\$474	\$474	\$474	\$474	-\$3
U-PASS ^{4,5}	\$0	\$45	\$135	\$135	\$135	\$135
YMCA ⁵	\$540	\$540	\$540	\$540	\$540	\$0
Resident Annual Tuition	\$9,909	\$10,127	\$10,370	\$10,629	\$10,927	\$1,018
Resident Annual Total	\$26,410	\$27,123	\$27,755	\$28,575	\$29,812	\$3,402
Non-Resident Annual Tuition	\$34,473	\$35,508	\$37,071	\$37,998	\$38,757	\$4,284
Non-Resident Annual Total	\$50,974	\$52,504	\$54,456	\$55,944	\$57,642	\$6,668

Please see previous page for footnotes.

UW Medicine

Additional Information Related to Budget Targets

June 10, 2021

Subsequent to finalizing and receiving entity board approvals for the Harborview(HMC) and UW Medical Center(UWMC) operating budgets on May 27, 2021, new information regarding labor expense assumptions was received that required adjustment to operating expenses assumptions for FY22.

The impact of adjusting for this new information is significant to both HMC and UWMC operating budgets. The UW Medicine leadership team, both at the system level and at HMC and UWMC, evaluated options to address this new information and after careful consideration agreed that we must reopen the finalized budgets and revise them to include the revised estimated operating expenses. Doing so allows adjustment at the department level thereby ensuring that hospital departmental budgets are accurate and clear budget accountability is maintained at the department level all the way up to the individual hospital leadership level.

The impact of this change brings both HMC and UWMC FY22 margin targets to 1% vs. 1.6% as shown in the budget materials provided. These revised margin targets of 1% at both facilities, are consistent with our long range financial plan targets established in the fall of 2020. Below is the revised FY22 budget.

Below is an excerpt of Table 11 from the published materials, adjusted as described and condensed. The School of Medicine is not included in the table below.

UW Medicine	FY22 Budget Revenues	FY22 Budget Expenses	FY22 Budget Margins	FY22 Margin %
UWMC	1,992,107,000	1,971,488,000	20,619,000	1.0%
UWP	400,000,000	400,000,000	-	-
Airlift NW	60,858,000	60,260,000	598,000	1.0%
UWNC	80,000,000	82,215,000	(2,215,000)	-2.8%
Subtotal CCE	2,532,965,000	2,513,963,000	19,002,000	0.8%
HMC	1,111,166,000	1,099,769,000	11,397,000	1.0%
VMC	852,076,000	852,076,000	-	-
UW Medicine	4,496,207,000	4,465,808,000	30,399,000	0.7%

We will be going through a process to obtain revised board approvals from the HMC and UWMC Boards to adopt these budgets for FY22. These new targets will be shared with both the UW Medicine Finance and Audit Committee on June 4, 2021 and the UW Medicine Advisory Board on June 9, 2021.