

December 2, 2024

ABB Phase IV Steering Committee Membership

- Erin Guthrie, Associate Vice Provost, Finance, Planning & Budgeting and University Data & Analysis Officer
- Michael Spencer, Dean and Professor, School of Social Work
- Andreas Bohman, Vice President, UW IT and CIO
- Andy Harris, Vice Chancellor, Academic Affairs, UW Tacoma
- Barbara Wingerson, Associate Vice President, Facilities Finance
- Dianne Harris, Dean, College of Arts & Sciences, UW Seattle
- Gautham Reddy, Chair, Faculty Senate Committee on Planning & Budgeting, Professor, Radiology, School of Medicine, UW Seattle
- Gowri Shankar, Vice Chancellor, Associate Professor, School of Business, UW Bothell
- Jason Campbell, Vice President, Finance and Budget Strategy, Finance, Planning & Budgeting
- Jon Karpoff, Professor, Finance & Business Economics, Foster School of Business, UW Seattle
- Julie Reid, Vice Dean for Administration and Finance, School of Medicine, UW Seattle
- Santhi Perumal, Assistant Dean for Finance and Administration, College of Education, UW Seattle

Dear Colleagues,

I extend my gratitude for your diligent work on the fourth review of Activity Based Budgeting (ABB) model. Your contributions will, I hope, prove foundational to aligning our mission with our budget model while building resiliency for our shared financial vitality.

Having thoroughly reviewed [your report](#), I agree the current ABB model at the UW, while successful in many respects, has areas that represent significant opportunities for improvement, including enhanced risk mitigation, a more balanced approach between central support and local autonomy, and more sightlines into the needs and concerns of our academic and administrative support functions. I am pleased to respond to your recommendations and chart a path forward for implementation. Here are the next steps:

Next Steps

Establish Governance

A robust budget governance structure should be implemented, including an executive committee and a working group. I agree with the many comments we have received about this governance structure; it should include a diverse and committed group of tri-campus leaders, including representation from the Senate Committee on Planning & Budgeting (SCPB), Board of Deans and Chancellors (BODC) from various schools, colleges, faculty, students, and administrative unit leaders who are committed to collaborating through transition creatively. The governance structure should

prioritize the long-term interests of the UW as the integration of the success of all units rather than short-term, reactive pressures; meet regularly with robust agendas; and measure its performance regularly.

An incentive-based budgeting executive committee (EC) will focus this year on developing a charter for my and President Cauce's review to detail their role(s), functions, and propose a road map. In addition, and for the 2024-25 academic year specifically, the executive committee will provide guidance and input into the modeling effort to stand up Incentive Based Budgeting (IBB), and the establishment of cost pools specifically, as the modeling working group runs possible future state models side-by-side with the current one to assess impact and provide planning windows. I expect that a representative from the EC will brief and solicit feedback from BODC and SCPB no less than quarterly.

To ensure that we move quickly and thoughtfully, I have charged the following individuals with membership on EC:

- Jay Panyam, Dean, School of Pharmacy and Member, Board of Health Sciences Deans
- Frank Hodge, Dean, Foster School of Business
- Linda Rose Nelson, Associate Dean, Finance & Administration, College of Arts & Sciences
- Andreas Bohman, Vice President, Information Technology and CIO
- Barbara Wingerson, Associate Vice President, Facilities
- Sharon Kioko, Associate Professor of Public Administration, Evans School of Public Policy, and Member, Faculty Senate Committee on Planning & Budgeting
- Simon Neame, Dean, University Libraries
- Zachary Glenn, Associated Students of UW Seattle
- Graduate Professional Student Senate appointee to be determined

Sarah Norris Hall, SVP, Finance, Planning & Budgeting (FPB) and CFO, will be the chair of the EC. Additional expertise will be included in the meetings as needed, and administrative support will be provided by FPB.

A high-level RACI has been developed to clarify the initial governance structure's role and responsibilities within the larger context of the university community; it is attached to this correspondence.

During the 2025-26 academic year, I anticipate that the governance structure will mature to recommending proposed cost pools and metrics for metering costs to units, unit subvention and margin policies, and evaluate the central and unit-based ecosystem's capabilities to transition to Incentive Based Budgeting (IBB). Again, it is imperative that a representative from the EC brief and solicit feedback from BODC and SCPB no less than quarterly during the coming academic year.

At the conclusion of FY25, an additional review of the timeline for implementation will be necessary to integrate changes into our planning horizon for budget development. A comprehensive change management strategy may need to be deployed to support the community.

In subsequent phases of governance, the executive committee will be responsible for reviewing the IBB model in detail, reviewing and proposing modifications to cost pools, including strategic initiatives advanced by administrative functions that may impact the distribution of revenues and expenses.

Convene and Support a Modeling Working Group

A smaller group of analysts and subject matter experts will focus on data and modeling efforts. With a target start date in January 2025, this Modeling Working Group (MWG) will drive data enhancement and informed decision-making around budget models options, reporting back to the executive committee. Modeling can begin in January 2025 understanding the data are limited and incomplete, with a target goal of data and impact assessments published alongside current (e.g., ABB) model outcomes. I agree with your recommendation to model with available data around theory, for example what effect would moving common goods into central costs have? How might costs be shared? Modeling with current data will facilitate informed decision making around the establishment of cost pools and the timeline for implementation.

Ultimately, the modeling should focus on the various metrics/levels that could be used to impact a budget model, and building in metrics beyond student credit hours and degrees is worth thoughtful consideration. For example, as noted above, while the research enterprise generates and operates within its own fiscal ecosystem, it is so mission-centric that it is worth considering how a research metric might factor alongside curricular metrics.

The MWG should additionally consider ease of implementation around the number and complexity of the cost pools noted in the ABB Phase IV Steering Committee Report.

The MWG should identify opportunities to develop a single source of data with models broadly available to university administrators and decision-makers. The source should be transparent, accurate, and agreed upon by institution leadership, including BODC, to help formulate the model. FPB should prioritize initiatives in the Workday environment to ensure we can move to IBB with confidence and a shared understanding of its trade-offs.

Modeling Working Group members shall include:

- Christian Adams, Senior Analyst, Institutional Analysis & Decision Support, FPB
- Karl Kaminske, Interim Assistant Director, Management Accounting & Analysis, FPB
- Erin Fujiwara, Assistant Treasurer, Cash Forecasting, FPB
- Santhi Perumal, Assistant Dean, College of Education
- Xiaosong Li, Associate Dean, College of Arts and Sciences

Erin Guthrie, AVP, Institutional Analysis and Decision Support, will be the chair of the MWG, transitioning to Jason Campbell, VP, Finance and Budget Strategy, in 2025-26. Additional expertise will be included in the meetings as needed, and administrative support will be provided by FPB.

Enhance Support for Interdisciplinary Programs

We will support interdisciplinary teaching through improved financial planning communication and optimize use of the Values Based Fund to incentivize interdisciplinary initiatives. FPB will build upon the current ABB documentation to provide campus leadership with new tools that demonstrate the budgetary impact of interdisciplinary initiatives. Further, the modeling working group will ensure any new rules or parameters set for do not negatively impact interdisciplinarity.

Educate, Communicate and Support

I support the Steering and Subcommittee's recommendations to educate and support the community through regular events, training, and a communication plan. Along with quarterly reports to the BODC and SCPB, we should also provide guidance in annual budget materials and on public websites. Transparent and accessible communication is essential for building trust and engagement with all stakeholders.

Align and Incorporate the Fee-Based Degree Task Force and Summer Quarter Distribution Changes

I expect the IBB model to include the fee-based degree task force's findings. This review should clarify the current state, ensure policy and statutory compliance, assess student impact on persistence, outcomes, affordability, and provide a peer review for a more rational and intentional future state for students and administration.

Furthermore, to increase the distribution of Summer Quarter tuition, it is necessary to integrate Summer with the IBB model. At present, the university's recurring DOF budgets, which are spread across schools, colleges, and particularly within our central academic and administrative support units, depend on DOF revenue to sustain critical operations. Nearly \$36 million of the central DOF pool is financed by Summer Quarter. Therefore, we anticipate that distributing a greater portion of summer tuition revenue will necessitate cost pool allocations to support our central administrative units.

Your recommendations, as presented in the final report, are crucial for a more effective budgeting model. With your guidance and our community's efforts, we will successfully transition to a system that better supports our shared goals.

Thank you again for your exceptional work and commitment.

Sincerely,



Tricia R. Serio
Provost and Executive Vice President for Academic Affairs
Professor, Biochemistry

cc: Board of Deans and Chancellors
President's Cabinet
Faculty Senate Leadership
Administrators Council

