

ABB Phase IV Steering Committee Final Proposal

The Activity Based Budgeting (ABB) Phase IV Steering Committee has completed a comprehensive review of the University of Washington's budgeting model. This final proposal synthesizes findings from subcommittees on Alignment and Framework, Incentive-Based Budgeting (IBB), and Interdisciplinarity. The committee's work focused on aligning the budget model with institutional goals, improving expense allocation methods, supporting interdisciplinary programs, and developing a policy framework that acknowledges the risks of decentralization while emphasizing central planning tools.

Context Setting

What was the motivation that led to considering a significant shift towards an incentive-based approach?

- Expenses outpacing revenues
- Lack of margin control (from an institution perspective)
- Current one-size-fits-all approach does not align expenses to the activity happening and central services do not currently s

Ultimately, solving for these requires a shift towards a more incentive-based and nuanced model.

Executive Summary

1 Comprehensive Review

The committee conducted a targeted review of the ABB model, considering diverse needs across campuses, schools, and administrative units.

2 Alignment with Goals

Examined how the ABB model can enhance service to students and align with the academic strategic framework. All meeting notes and resources were summarized on a public facing site, and detailed resources were made available in SharePoint to BODC.

3 Current-state Taxation Methodologies

Focused on improving equity and coherence of expense distributions methodologies within the ABB model.

4 Interdisciplinary Support

Assessed support for interdisciplinary courses and degree programs, addressing concerns about potential suppression by the current model.

Overview of the Steering Committee Process

1

Committee Formation

The ABB Phase IV Steering Committee was charged by Provost Tricia Serio to review the University of Washington ABB model through five key strategic lenses integrating stakeholder interview input and stakeholder survey results.

2

Subcommittee Creation

Three working groups were formed to focus on specific areas: Alignment and Framework, Incentive Based Budgeting (IBB), and Interdisciplinarity.

3

Monthly Deliberations

The Steering Committee convened monthly to evaluate progress and deliberate on its responsibilities.
Meeting notes and resources were summarized on a public facing site, and detailed resources were made available in SharePoint to BODC .

4

External Support

External consultants from Maximus US provided support throughout the process and Educational Advisory Board (EAB) experts provided a

Subcommittees and Their Charges

Incentive-Based Budgeting (IBB)

Examine elements of an IBB model that align with UW's academic mission and strategic priorities. Discuss key budget elements, risks, and best practices from peer institutions.

Interdisciplinarity

Identify obstacles posed by the ABB revenue distribution model to interdisciplinary teaching and research. Focus on collaborative, multi-disciplinary instruction.

Alignment and Framework

Examine lessons from the ABB model and explore "common goods" concepts. Consider how the UW might think differently about common goods in a potential shift to an IBB model.

Key Definitions from ABB Committees



Common Good

A continuously offered, subsidy-based resource benefiting people substantially beyond the community of the offering college/school.



Interdisciplinary Teaching

A course where two or more instructors with different disciplinary expertise collaborate to teach a single course on a topic requiring diverse forms of expertise and perspective.



Incentive-Based Budgeting (IBB)

A decentralized budgeting model assigning revenue and expense management to individual units within an institution, creating transparency and efficiency in resource allocation.

Steering Committee Takeaways and Findings

1 Robust Review

Steering and Subcommittees surfaced diverse views and enabled a comprehensive review of the model, focusing on principles and behavioral drivers.

2 Institutional Alignment

Current ABB model emphasizes curricular growth over research, with stronger alignment in undergraduate education than graduate and professional education.

3 Expense Sharing

A shift to an IBB model could provide more equitable expense and revenue distribution methodologies and enhance transparency.

4 Interdisciplinary Support

The current ABB model lacks direct support for interdisciplinary initiatives, highlighting a gap between financial nimbleness and strategic alignment.

Recommendations: Governance Structure

1

Implement Governance Structure

The Provost/President should implement a strong budget governance structure, including an executive committee involving deans, tri-campus administrative financial/budget expertise, SCPB, and a student representative. The executive committee should charge a working group of administrative leaders, and expert analysts, to develop model options and an implementation timeline.

2

Composition

The structure should comprise academic leadership, tri-campus administrative financial/budget expertise, SCPB, and a student representative collaborating to enhance fiscal accountability, mission alignment, and resource management.

3

Responsibilities

Create and review policies, advise on model changes, and review the institution's data and technical capabilities for budget tracking and utilization.

4

Authority

The governance structure is advisory, with the President, Provost and Chief Financial Officer retaining decision-making authority.

Recommendations: Data and Modeling

1

Build on ABB Phase IV

Continue modeling with available data or theory, focusing on various metrics that could impact the budget model.

2

Review Data Capabilities

Assess the institution's current data and technical capabilities for tracking, storing, and utilizing data across the institution.

3

Evaluate Systems

Assess institutional systems facilitating registration for state-based and fee-based students to support including fee-based/auxiliary revenue in an induced course load matrix (ICLM) model.

4

Timeline Consideration

Understand that a realistic implementation timeline is not prior to FY29, allowing time for restructuring the Financial Data Model. Document and suggest mitigations to potentially challenging impacts on academic and administrative units.

Recommendations: Definitions and Communications



Define Key Terms

Administer a community-wide effort to define terms impacting the budget model, including 'Common Good' and 'Strategic Initiatives'.



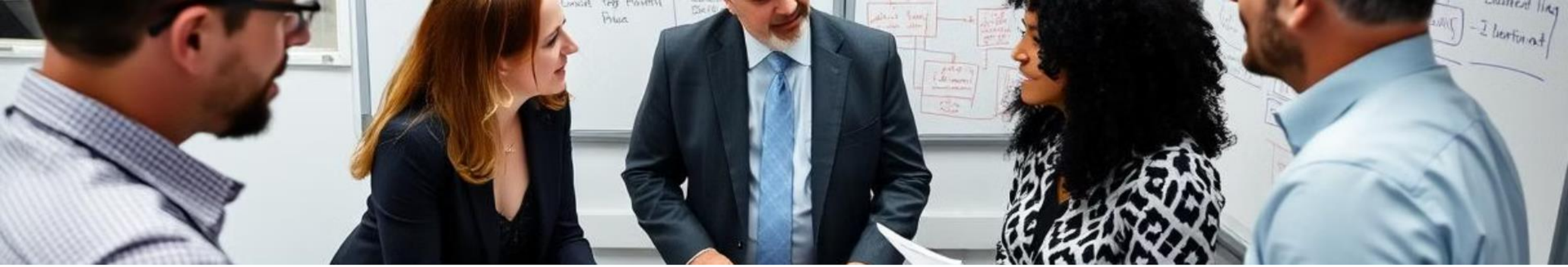
Create Materials

Develop educational materials for campus community partners explaining endorsed changes, rationale, and proposed impact.



Solicit Feedback

Gather input from Units, particularly Deans and Associate Deans, on concerns and identified knowledge gaps for transitioning to an IBB model.



Recommendations: Policy Development

Marginal Policies

FPB should craft guidelines for policies and practices regarding the total net position maintained at the unit level for appropriate risk and fiscal sustainability.

Revenue Definition

Define the collection and distribution of all revenues to academic units, including considerations for specific revenue sources like fee-based programs and summer quarter.

Indirect Costs

Define all indirect costs allocated to academic units and the cost drivers or bases used for such allocation, including items not previously modeled like space allocations and depreciation.

Model Review

Review the current ABB model and its new governance structure to identify gaps that can be addressed under an IBB model.

Conclusion

1 Comprehensive Assessment

A thorough evaluation of common goods is necessary to improve the existing model and ensure adequate funding.

2 Interdisciplinary Support

Enhance support for interdisciplinary teaching and research through incentives and improved communication tools.

3 IBB Model Consideration

Transitioning to an Incentive-Based Budgeting model could address many concerns, promoting fiscal transparency and unit autonomy, supporting efforts to grow revenue and mitigate expense growth.

4 Alignment with Mission

Aligning the budget model more closely with the university's mission and values requires addressing limitations in supporting research, graduate/professional education, and common goods.

Discussion

What are the considerations we need to address as we move closer to a model that better aligns resource allocation and expenses?

What future working groups may be needed to move the process along?

APPENDIX

Charge and Scope of the Steering Committee

Broad Review

Adopt an integrated approach considering diverse needs across campuses, schools, and administrative units.

Alignment with Goals

Examine how the ABB model can enhance service to students and align with the academic strategic framework.

Taxation Study

Focus on improving equity and coherence of taxation methodologies within the ABB model.

Policy Framework

Advance a framework acknowledging risks of decentralization and emphasizing central planning tools.