THE GENERAL BUDGET MODEL

Principles and Concepts
Responsibility Center Management Committee

- Deans
  - Steve Dorman
  - Catherine Emihovich
  - Glen Hoffsis
  - Robert Jerry
  - Pramod Khargonekar
  - John Kraft
  - William Riffe

- Provost’s Office
  - Kathleen Long
  - Andy McCollough

- Health Science Center
  - Russ Armistead

- IFAS
  - Joe Joyce

- Student Services
  - Dave Kratzer

- Faculty Senate
  - Frank Bova
Presentation and Feedback Sessions

- Cabinet
- Senior Vice Presidents
- Faculty Senate Budget Council
- Faculty Senate Research Policy Committee
- Next Level Leadership
- Finance and Accounting Roundtable
- Academic and Professional Assembly
- Human Resource Leadership
Fiscal Year 2010 Agenda

- Parallel budget system
- Continuation of monthly RCM Committee meetings
- Education, discussion and modification period.
- Modify funding for special units
  - International Center
  - DOCE
- Campus Stakeholder education and feedback
- GBS will evolve for unintended consequences
Why Change Budget Models?

- The University cannot keep reducing its expenses and achieve the President’s Strategic Work Plan, but rather must grow through aggressive management of non-traditional, entrepreneurial growth.
  - Decreasing state support
  - Increase self-reliance
  - Promote innovative and entrepreneurial activities that are financially viable.
  - Generate new revenue sources
- Success through decentralization of decision making
- Transparency
  - An “information-rich” discourse on the budget must be fostered
  - Deeper understanding of financial impacts when making decisions
  - The current maze of cross-subsidies must be clarified
- Support units must be subjected to constant scrutiny for efficiency, effectiveness, and proper incentives.
What is The General Budget System?

- GBS is a financial management philosophy
  - Focuses on operational decentralization
  - Designed to support achievement of primary academic priorities
    - Budget follows priorities
    - Aligns authority with responsibility
    - Creates full cost view of academic operations
Basic Concepts of the GBS

- Proximity
- Proportionality
- Knowledge
- Stability
- Community

Emphasis on University Culture

- Encourage risk-taking and innovation
- Flexibility and timeliness in responding to changes in demand for academic programs, courses and majors
- Willingness to reduce or discontinue lower priority programs and services
- More self-reliance in developing financial plans to support investment and innovation
Sample of Universities Using a Revenue Based Budgeting Model

American University
Auburn University
Cal Tech University
Central Michigan University
(T UCLA)
Clarkston University (considering)
Clemson University
Duke University
Florida International University
Harvard University
Indiana University of Pennsylvania
Iowa State University (in process)
Kent State University
Marquette University
McGill University
Mercer University
Purdue University
Rensselaer Polytechnic Institute
Southern Illinois University
Temple University
Tulane University
University of Alaska
University of California at Los Angeles
University of Connecticut
University of Illinois – Urbana Champaign
University of Iowa
University of Michigan
University of Minnesota
University of Oregon
University of Pennsylvania
University of Southern California
Ohio State University
University of Toronto
Vanderbilt University
Washington University of St. Louis
West Chester University (PA)
Timeline

July 1, 2009
- Current Budget Process
- Implementation of increase to 8% for Overhead Assessment for support of Auxiliaries, Component Units, and Incidental Trust Funds units
- Parallel GBS

July 1, 2010
- Finalize refinements of the GBS
- Implementation of the GBS
- Begin Amortization of Historical Cross-Subsidies
Financial Model

- In a Responsibility Center (RC):
  - Revenue
    - Receives all revenue earned from its activities
    - Receives an “allocation” of appropriations
  - Expenses
    - All direct expenses
    - A share of support unit costs
Allocation of State Appropriations and Tuition

- College teaching the student credit hours
  - Weighted for cost of delivery
- College enrolling student
  - Not weighted
- Entrepreneurial leverage fund
  - Ability to obtain other revenues
    - Research
    - Endowment
    - Sales and service
    - Self-funded academic programs
Other Revenue

- 100% of the revenues are returned to the unit
  - Off-book
  - Entrepreneurial
  - Research
  - Auxiliary
Important Points of Understanding in the Cost Allocation Model

- The model is a set of stable cost attribution rules that assist in achieving (but don’t determine) the strategic goals of the institution.
- The process is dependent on strong leadership to approve cost pool budget.
- The model will be implemented at the college level – not at the department level.
- Good performance measures and data are essential for analysis.
- Existing consultative groups will be essential to promote transparency and understanding of decisions.
- Process will evolve over time.
## Cost Pools

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Tentative and Preliminary GBS Budget Presented Example College

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<th>Revenue:</th>
<th>Fiscal Year</th>
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<td>Uncollected tuition</td>
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<td>Total revenue</td>
<td>62,429,173</td>
<td>86,861,865</td>
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| Overhead Assessments:            |             |            |
| Info technology                  | 1,936,467   | 1,289,930  |
| General administration           | 3,205,975   |            |
| HSC administration               | 4,553,437   |            |
| Student services administration  | 1,086,523   |            |
| Facilities                       | 3,859,390   |            |
| Library                          | 217,199     | 136,367    |
| Sponsored projects administration| 284,159     |            |
| Total assessments                | 2,153,666   | 14,415,781 |

Net Resources Available

|                   | 60,275,507 | 72,446,084 |
Fiscal Year 2010 Agenda – Other

- Implementation of fringe benefit rate
- Sick leave payouts
- Vacation payouts
- Continuous improvement of business processes