

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 Riffie
- 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

1. Edward L. Whalen. *Responsibility Center Budgeting*, Indiana University Press, 1991

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
(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

Description	General Admin	Facilities	Student Services	Libraries	Research Admin	Information Technology	HSC Admin
Admissions			X				
Audit and Compliance Review	X						
Board of Trustees	X						
Bridges						X	
Business Affairs	X						
Business Services	X						
Chief Financial Officer	X						
Construction and Planning		X					
Contracts and Grants					X		
Environmental Health and Safety	X						
Finance and Accounting	X						
Financial Aid Admin			X				
General Counsel	X						
Governmental Relations	X						
Graduate School			X				
Human Resources	X						
Information Technology						X	
Institutional Activities	X						
Libraries				X			
Operations Analysis	X						
Police	X						
PPD		X					
President's Office	X						
Provost's Office	X						
Registrar			X				
Research					X		
Student Affairs			X				
University Relations	X						
VP Health Affairs							X

Tentative and Preliminary GBS Budget Presented Example College

	Fiscal Year 2007/2008	GBS Budget
Revenue:		
General revenues and lottery	26,474,114	34,333,546
Tuition		18,058,318
Waivers		(1,250,300)
Uncollected tuition		(234,758)
Entrepreneurial activities	18,632,859	18,632,859
Contracts and grants	4,237,295	4,237,295
Endowment earnings and gifts	13,023,665	13,023,665
Other revenue	61,240	61,240
Total revenue	62,429,173	86,861,865
Overhead Assessments:		
Info technology	1,936,467	1,289,930
General administration		3,205,975
HSC administration		
Student services administration		4,553,437
Facilities		1,086,523
Library		3,859,390
Sponsored projects administration	217,199	136,367
		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