UWM’s Plans for a “Contribution-Based” Budget Model
Overview of Report

- Why a New Budget Model?
- Design Process
- Requirements & Campus Input
- Recommended Changes to Current Model
- Testing Phase - Results
- Next Steps: Implementation
Why a New Budget Model

Current incremental budget model unable to effectively respond to:

- Changes in the higher education landscape:
  - Shrinking state support
  - Growing reliance on tuition revenue
  - Declining or stagnant enrollments

- Emerging opportunities for UWM
  - New initiatives: e.g. Fresh Water Sciences and Public Health
  - Partnerships with the business community
  - Expansion of campus physical footprint
Design Process

**Phase 1:** Requirements and Best Practices Data Gathering

**Phase 2:** Development and Approval of the Resource Allocation Framework

**Phase 3:** Testing the Proposed Model

**Phase 4:** Implementation of the New Model
Current Budget Model:

1. Not responsive enough to overall enrollment declines
2. Developed piecemeal without regard to an overall strategy
3. Provides insufficient incentives to grow
4. Complicated and hard to understand
5. Difficult to link activities and their related costs
Requirements & Campus Input

A New Model should be:

• **Flexible** enough to adjust to the evolving landscape of higher education and the evolving needs of the UWM campus community

• **Predictive** to allow campus units to anticipate their future resource allocations and, subsequently, set long term goals.

• **Simple** and easily understood by the campus community

• **Incentivizing** for desired behaviors and outcomes

• **Inclusive** of the viewpoints of campus leadership and governance groups

• **Strategic** in nature
**Recommended Changes to Model**

**Key Features:**

Allocate undergraduate tuition revenue based on 3 performance metrics:

1. Student Credit Hours Generated
2. Number of Degree Majors Declared
3. Number of Degrees Awarded

Distribute graduate tuition revenue based 100% on school/college of enrollment

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**Revised Flow Chart for Proposed Budget Model**
Recommended Changes to Model

Key Features:

Create a ‘Subvention Pool’ that is funded with:

- Portion of state support
- Tax on tuition revenues (20%)
- Portion of Indirect Costs recoveries

Revised Flow Chart for Proposed Budget Model
Recommended Changes to Model

Key Features:

Link resource allocation to strategic initiatives:

The ‘Subvention Pool’ serves as a vehicle for allocating resources towards strategic initiatives and for adjusting funding allocations based on evolving campus needs.

Revised Flow Chart for Proposed Budget Model
Recommended Changes to Model

Key Features:

Indirect cost recoveries should be primarily distributed to the school/college receiving the extramural funding:

- 80% to the schools/colleges
- 20% to the subvention fund
Test Phase - Results

• **Result #1:** This model provides extraordinary clarity into costs associated with strategic decisions.

• **Result #2:** All units will be held harmless in the first two years of implementation. Decision-making for the subvention fund will change this over time.

• **Result #3:** In addition to the 20% tax on tuition and the Indirects from sponsored research, schools and colleges will need to provide $29M to fund Academic Support Units (e.g. Libraries, Graduate School, Office of Research, etc.) at their current levels. Decision-making may change this funding level over time.

• **Result #4:** Several of the schools/colleges need additional support beyond the revenues they are generating. Identifying this support facilitates decision-making in the future on targeted investments.

• **Result #5:** In order to effectively use this model, investments will need to be made in data analysis capabilities, both at the central campus level and within the Provost’s office.
# Next Steps - Implementation

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<tr>
<th>Action</th>
<th>Due Date</th>
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<tbody>
<tr>
<td>• Presentation of Proposed Model to UWM Campus Community for Input</td>
<td>Summer &amp; Fall 2015</td>
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<td>• Reconvene BMWG to Review Campus Input and Draft Final Recommendation for Chancellor</td>
<td>Fall 2015</td>
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<td>• Chancellor Reviews Proposed Model and Approves or Not-Approves</td>
<td>Winter 2015</td>
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<tr>
<td>• <em>If Approved</em>, Parallel New Resource Allocation Model with Current Model for FY2017 Budget Development Cycle</td>
<td>Winter 2016 &amp; Spring</td>
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<td>• 1&lt;sup&gt;st&lt;/sup&gt; Meeting of Campus Leadership to Plan Resource Allocations for the FY2018 Budget</td>
<td>Summer 2016</td>
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<td>• Full Implementation of New Resource Allocation Model for Building of FY2018 Budget</td>
<td>Fall 2016 &amp; Winter 2017</td>
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<tr>
<td>• UWM Under New Resource Allocation Model</td>
<td>Summer 2017</td>
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