New Budget Model Implementation Update

Spring 2018
New budget model development began in 2012

The historic budget model (spaghetti + marginal tuition) was the result of many independent decisions made in a different financial environment

Why change?

- To provide continuing transparency around budgets, beyond SPC (Strategic Position Control)
- To better fund UWM’s mission and strategic priorities, defined by the campus and informed by metrics
  - (In light of our new fiscal reality)
- To create a more sustainable future for UWM
What the budget model is not:

- Not going to create new $$ right away
- Not going to result in dramatic changes overnight (positive or negative)
- Not going to result in mass program closures or layoffs
- Not setting departmental budgeting within school/college

This about *long-term* sustainability and more thoughtful budgeting *over the long-term*
New Budget Model

Five Key Steps

#1 Develop preliminary, high-level budgets

#2 Calculate “unadjusted” budgets for schools/colleges (formula)

#3 Establish “adjusted” budgets for schools/colleges

#4 Establish central support services budgets

#5 Determine strategic initiatives funding
Step 1: Develop “High Level” Budgets

• Campus leadership, in consultation with the APBC:
  - Considers best projections for overall campus operating revenues (tuition, state appropriations, and indirects from research); and
  - Proposes preliminary, aggregate budgets for:
    - Schools/Colleges
    - Central Support Services & Infrastructure
      - Including Unit-Wide
    - Strategic Initiatives
**Step 2:** Using the pool allocated to School/Colleges in Step 1, calculate *Unadjusted* budgets

- Based on a “formula” derived from:
  - *Undergraduate tuition revenue*
  - *Graduate tuition revenue*
  - *Fund 150 (federal indirect) revenue*

[More detail on each of these is provided on the next slides.]
Step 2, continued:

- *Undergraduate tuition revenue* is pooled and allocated based on 3 factors (all using 2 year averages):
  1. Credits conveyed – 70%
  2. Research & public service metrics – 20%
  3. Undergraduate degrees granted – 10%
Step 2, continued:

- Graduate tuition revenue is allocated based on the School/College of enrollment

- Increases/decreases in fund 150 (Federal Indirect) revenue are allocated 80% to the generating school/college
  - Currently 30%
**Step 2, continued:**

**Sample Unadjusted Results**

<table>
<thead>
<tr>
<th>College/School (EXAMPLES)</th>
<th>2016/17 Revenue</th>
<th>Current Budget Model A</th>
<th>New Budget Model - Formula Results (100%)- Unadjusted Allocations B</th>
<th>New Budget Model - Adjustments C</th>
</tr>
</thead>
<tbody>
<tr>
<td>51 - Information Studies</td>
<td>5,671,636</td>
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<tr>
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<td>11,558,273</td>
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- **Step #2 Unadjusted 2016/17 Base**: 6,212,910
- **Difference in Base, between New and Current Model**: 541,274
- **Difference, as a % of Current Model Base**: 9.5%

- **Step #3: Adjustments**
**Step 3:** Establish *Adjusted* Budgets for Schools & Colleges, based on additional factors:

- **Missions and expected costs** of instruction and research
- **Six-year financial forecasts**, including school/college enrollment projections
- **Academic and research effectiveness**, with benchmarking as available
- **Campus strategic opportunities** or priorities
- **Historical revenue and expense levels**, including campus investment decisions
Step 4: Establish Central Support Services and Infrastructure budgets, based on:

- Six-year forecasts of total expenses and revenues
- Historical revenue and expense levels including campus investment decisions
- Opportunities for efficiencies such as through reorganization, consolidation or implementation of technology
- Peer benchmarks around efficiency and effectiveness
- Campus strategic opportunities or priorities, including contribution of foundational support to the university
- Changes in other factors that may impact the relative needs for services
**Step 5:** Allocate Strategic Initiatives Fund Budget:

- The **Chancellor will articulate strategic priorities** for the campus outside of any budget-building process.
- **Proposals will be solicited** from the leaders of campus groups who are responsible for carrying out the campus strategic opportunities/priorities, and/or Deans/Division Heads, as determined by the Chancellor.
- **Proposals will be reviewed** by a “Strategic Investment Team” appointed by Chancellor.
- Based on these strategic priorities, **initiatives may be selected** for seed funding or investment.
Role of the Academic Planning & Budget Committee:

- The APBC is the governance body to provide input and advice in the budget building process, when:
  - Establishing *high-level budgets* for four units (Step 1)
  - Establishing *adjusted budgets* for schools/colleges (Step 3)
  - Establishing *central infrastructure budgets* (Step 4)
  - Considering reallocation of *carryforward balances*

- The APBC has been undertaking a rigorous financial curriculum this year to assume this role
New budget model process will first be implemented for the FY 2020 budget year

<table>
<thead>
<tr>
<th>Step</th>
<th>Who?</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1: Develop high-level budgets</td>
<td>Campus leadership in consultation with APBC</td>
<td>August 2018</td>
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<tr>
<td>Step 2: Calculate unadjusted budget for each School/College</td>
<td>Office of Budget &amp; Planning</td>
<td>September 2018</td>
</tr>
<tr>
<td>Step 3: Establish adjusted budgets for Schools/Colleges</td>
<td>Provost-led in consultation with APBC</td>
<td>October/November 2018</td>
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<tr>
<td>Step 4: Establish Central Support Services Budgets</td>
<td>Provost/VC-led in consultation with APBC</td>
<td>October/November 2018</td>
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<tr>
<td>Step 5: Allocate Strategic Initiatives Fund budget</td>
<td>Chancellor/Designee</td>
<td>September-December 2018</td>
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<td>Build budget decisions into budget system</td>
<td>All divisions</td>
<td>February/March 2019</td>
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Questions?