UI Budget Model – Why?

• History
  • Two years ago
    • First budget meeting at BioVentures with academic leadership, shared governance, and cabinet
    • Desire for new budget model identified
  • Budget Principles
    • Student success
    • Quality indicators
    • UI values, and
    • Shaping the UI’s future
UI Budget Model – Why?

• History
  • One year ago
    • Collegiate Economic Analysis (CEA)
    • Budget Principles intact
    • Understanding collegiate economics
      • Tuition
        • Student Financial Aid (focus on merit and need)
        • Focus on net tuition
      • Direct Expenses
        • Costs associated solely with the collegiate unit
      • Allocated Expenses (central services)
        • Allocated via formula (e.g.: # of students, # of faculty, # of staff, facilities)

3 Numbers & 20 Years

State Budget = $2.9 Billion
Support to UI = -$7 Million
Students at the UI = 5,693
UI Budget Model Principles

• Using the CEA to inform the Budget Allocation Model (BAM)
• Budget Principles agreed to in 2016 remain intact
• BAM Principles:
  • Implementation transparency
  • Predictability
  • Stability (in an unstable fiscal context)
  • Shared decision-making to address institutional challenges
  • Innovation and collaboration to increase revenues
  • Sustained and growing excellence in education and scholarship
UI Budget Model

• Bottom line
  • Colleges improve their finances and that of the university if they:
    • Reduce dependence on state approp. subvention
    • Increase net tuition, indirect cost recovery (research overhead reimbursements) or other revenues controlled by the college.
    • Control spending
UI Budget Model - Fundamentals

• Collegiate Economic Analysis components:
  • Net Collegiate Revenues
    • Tuition
    • Student financial aid
    • Indirect cost recovery
  • Direct Collegiate Expenses
  • Allocated Expenses (proportionate share of central service unit costs)

• Bottom line (State Appropriation)
  • Direct plus allocated expenses **exceed** net collegiate revenues for all colleges
  • St. Approp. fund this deficit.
## UI Budget Model informed by CEA

<table>
<thead>
<tr>
<th>Net Base Tuition</th>
<th>Revenue Subject to Share</th>
<th>70% to Colleges, 30% to Central Service Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous Fees</td>
<td>Tuition Supplements</td>
<td>100% to Colleges</td>
</tr>
<tr>
<td></td>
<td>New Program Tuition</td>
<td>100% to Colleges during 1st 2 years, then base tuition</td>
</tr>
<tr>
<td></td>
<td>Interest &amp; Other</td>
<td>100% to Colleges</td>
</tr>
<tr>
<td></td>
<td>Indirect Cost Recoveries</td>
<td>100% to Colleges</td>
</tr>
</tbody>
</table>

| Revenue NOT Subject to Share |

### Four Simple Rules:

1. Changes in Revenue Subject to Share distributed 70% to colleges, 30% to central services.
2. Changes in State Appropriation distributed 60% to colleges, 40% to central services.
3. Total Net Direct Position cannot fall relative to prior year amount.
4. Sum of Net Position for all colleges will be equal to State Appropriation subvention.

<table>
<thead>
<tr>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Direct Collegiate Expense</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Direct Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cannot fall relative to prior year</td>
</tr>
</tbody>
</table>

| Less: Allocated Expense |

| Net Position after Allocated Expense (= subvention funded by State Appropriation) |
State Appropriation Adjustments

• Collegiate Units (60%)
  • Decrease spread across units in proportion to subvention amount needed to balance to zero

<table>
<thead>
<tr>
<th></th>
<th>Total University</th>
<th>College A</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Approp. Subvention</td>
<td>$200,000,000</td>
<td>$55,000,000</td>
</tr>
<tr>
<td>St. Approp. Decrease</td>
<td>$(4,000,000)</td>
<td></td>
</tr>
<tr>
<td>Collegiate Percentage x</td>
<td></td>
<td>Ratio = 27.5% (55/200)</td>
</tr>
<tr>
<td>x 60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collegiate Share</td>
<td>$(2,400,000)</td>
<td>$(660,000)</td>
</tr>
</tbody>
</table>

• Increase goes to Provost to be strategically allocated to academic programs.
State Appropriation & Revenue Adjustments

• Central Service Units
  • Advisory Committees are being formed now, reformation of central service review committees.
  • Advisory Committees will make recommendations to Council of Deans/President’s Cabinet regarding inflationary increases AND program adjustments.
  • Funding comes from 40% from St. Approp. and 30% from revenue.
  • If (inflation increase + new program) > Funding, then difference is allocated to colleges by formula.
UI Budget Model - Fundamentals

- Collegiate Economic Analysis components impacting “Net Direct”
  - Changes in collegiate revenues subject to share
  - Collegiate SFA
  - Non collegiate SFA
  - Student mix (res vs non res)
  - Retention rate
  - 4 year graduation rate
  - Supplemental tuition
  - Collegiate activities moved to central services (e.g.: Shared Services)
  - Reduction in costs (direct and allocated)
  - Changes in state appropriations
  - New programs/initiatives
UI Budget Model – Fundamentals (cont’d)

• Collegiate Economic Analysis components
  • How do central service unit budgets change?
    • Changes in collegiate revenues subject to share
    • New initiatives are started (shared decision model)
    • Collegiate activities are moved to central services (e.g.: Shared Services)
    • Changes in state appropriations
    • Reduction in costs/efficiencies
  • Shared Decision Model (SDM)
    • Advisory Committees for collegiate and central service units
    • Priorities are reviewed and prioritized by Council of Deans and Cabinet
    • President receives priorities and makes final decision
UI Budget Model – TBD

• Future capabilities:
  • Allocation of tuition for existing dual/joint degree programs
  • Allocation of indirect cost return for cross-collegiate collaborative research
  • Forecasting tool for implications of growth on central services/costs
  • Advisory Committees (currently forming now) will make budget recommendations to Council of Deans & President’s Cabinet regarding Central Service Unit budgets (inflationary and new program initiatives)

• It is expected that adjustments/modifications will be made to the budget model as needed in the future.
UI Budget Model – Next Steps

• Campus Presentation:
  • Academic leadership and business officers
  • Cabinet and business officers
  • Shared governance

• BAM Roll-out:
  • Implemented for FY 19
  • Revenue Budget Worksheets returned by April 2
  • Meetings will continue to occur during April with campus
    • Tuition will have first reading in April by Board of Regents
Questions?