Decentralized Budgeting: Financial Management and Strategic Outlook
The Temple Model

- Overview of the Decentralized Budget Model
- Decisions Made
- Model Development
- Funds Flow
- Cost Drivers and Allocations
- Changing Roles: planning, forecasting and strategy

What will you and your team need in order to be successful in the new model?
Overview: Progress to Date

A significant amount of time and effort was spent determining whether Temple University was ready and capable of moving forward with a decentralized budget model.

**Communication:** Over 1,000 faculty and staff have participated in meetings and open forums to discuss the new model and develop the Guiding Principles.

**Infrastructure:** Leveraging our existing systems (Banner) to ensure the transparency and simplicity required in the new model. This includes better and formal coordination of academic, enrollment and budget planning.

**Guiding Principles:** Discerned over several months to design a clear path for decision making...
Guiding Principles

- Mission-driven

- Align Authority with Responsibility & Accountability

- Fairness...consistent, predictable and transparent

- Encourage Innovation, Entrepreneurship & Efficiency
  
  ....discourage unnecessary internal competition

- Simplicity
Implementation is Critical, Strategy is Required

- **Transparency** - leaders must have access to consistent, timely and predictable reporting to be successful
- **Simplicity for Decision Makers** – leaders need to be able to understand the model and the financial effects of decisions quickly and easily
- **User Involvement** – faculty and staff must be an integral part of the process
- **Credible Governance** – assurance that the model will be fair and equitable. Unhealthy internal competition is monitored and academic quality issues addressed
- **Communication** – meet with anyone, anytime, anywhere
Overview: Decisions Made

- **Revenue Centers & Cost Groupings:** Identified the units generating a substantial portion of the revenue and grouped support into logical units.

- **Cost Drivers:** Identified and “programmed” to allocate overhead.

- **Hold Harmless Principle:** No school or college will be adversely affected on day one (July 1, 2014).

- **Temple Strategic Fund:** Will be established for the President to invest in university priorities.

- **Policy:** Budget model will not be deployed at the department level (RC proposals considered in FY2017). Freeze on administrative carry-over and use of reserves will require approval.
Model Development

The following slides illustrate how the revenue, expenses, assessments, and allocated overhead flow through the budget model:

- Income
- Tuition Revenue
- Other Income
- Assessment Charges
- Allocated Cost Drivers
Temple Budget Model Income Flow

**Student Tuition Income:**
- This includes UG/Grad/Prof through both direct and transfer

**Other Income:**
- This includes PA Public Welfare, Other Student Fees, ICR & Clinical Revenue

**TU Strategic Fund:**
- Year one allocation used to Hold Harmless and to fund Strategic Initiatives.

**Direct Expenses:**
- Compensation, benefits, travel, faculty startup, tuition remission, etc.

**Allocated Costs:**
- Support Unit Funding

**Assessments (based upon Tuition Income Only):**
- Plant Fund and Undergraduate Financial Aid
Temple Budget Model - Tuition Revenue Funds Flow

- Undergraduate Tuition
- Graduate Tuition
- Professional Tuition

Tuition Flows 100% to Student’s Home College

Tuition Transfer to School of Instruction

- UG Tuition transfer will be based on instructional UG credit hours at the UG part-time rate of $502 per credit hr.
- Grad transfer will be based on instructional Grad credit hours at the part-time grad rate of $687 per credit hr.
- Professional transfer will be based on Grad credit hours at the grad rate of $687 per credit hr.
Temple Budget Model - ‘Other Income’ Funds Flow

- PA Public Welfare
- Student Course Fees
- Indirect Cost Recovery
- Clinical Revenue
- Other Income

Academic RC
Temple Budget Model - “Assessment Charge” Funds Flow

Undergraduate Tuition
Graduate Tuition
Professional Tuition

Tuition Flows 100% to Student’s Home College

UG Tuition Course College
Grad/Prof Tuition Course College

Net Total Tuition

UG Financial Aid @ 17.5% Net UG Tuition Income

Plant Fund @ 5% Total Net Tuition

Tuition Transfer School of Instruction

Assessments will be charged as an expense to academic units
Cost Drivers

The amount of allocated costs will be based on a formula that considers ‘cost drivers’ such as:

- CHG Students (undergraduate, graduate & professional)
- FTE Faculty (tenured/tenure track, non-tenure track)
- FTE Staff
- Total direct expenditures from all sources
- Square footage
- Living alumni
- Major donors (measured by Conwell Society membership)
- Research expenditures
Temple Budget Model - Support Centers with Allocated Cost Drivers

Academic Support
- 80% UG CHG
- 15% Grad CHG
- 5% Prof CHG

Advancement
- 50% Living Alumni
- 50% Major Donors

Campus Safety
- 50% UG CHG
- 10% Grad CHG
- 10% Prof CHG
- 15% Fac FTE
- 15% Staff FTE

Computer Services
- 40% UG CHG
- 5% Grad CHG
- 5% Prof CHG
- 25% Fac FTE
- 25% Staff FTE

Facilities Management
- Space is first allocated to support units, then to Revenue Centers at $20.07 per sq. ft.

Faculty Affairs
- 100% Tenure/Track FTE

Financial Affairs
- 100% Direct Expenditures

General Admin
- 100% Direct Expenditures

Human Resources
- 50% Faculty FTE
- 50% Staff FTE
Governance & Committee Structure

Committees created and appointed to ensure broad university-wide engagement:

• Steering Committee (thru full implementation)
• Budget and Strategic Priorities Council: advise and recommend deployment of the President and Provost Funds, conduct review post-implementation
• Budget and Financial Affairs Committee: implementation, operation, maintenance of budget, policy creation and compliance
• Academic Program Advisory Committee: course and program review and approval
• Faculty Budget Advisory (according to School and College Bylaws)
• IR/Analytics Committee (data reporting and academic quality indicators)
Creating Meaningful Roles

Deans and Business Managers will need:

• To reasonably ensure the fiscal impact of the unit operations is planned, controlled, and accurately accounted for in Temple’s financial records.

• To reasonably ensure fiscal transactions comply with applicable policies, laws, regulations, and rules. This includes contracts, grants, donor restrictions and generally accepted accounting principles.

• To utilize an internal control environment to accomplish the above two objectives.

• To be more inclusive of faculty and department chairs in decision making

• To train and prepare faculty for a higher degree of budget engagement

• To access and interpret data
FY2015 Budget Planning Timeline

**September**
- Commonwealth Appropriations Request Due

**October**
- Fall Enrollment Study
- Obtain metrics for assessment drivers

**January**
- Budget Conferences with Support Units

**February**
- Budget Conferences with Revenue Centers
- Submit requests for Strategic Funds
- Create enrollment model for FY15 based upon incoming class and CHG projections

**March**
- Provide RC’s with initial revenue projections to create FY15 Budget

**April**
- Committee meets to allocate Strategic Funds
- Committee meets to recommend budget changes
- Support Units prepare line-item budget submissions
- Request proposals for FY15 tuition rates

**May**
- Update revenue projections and RC’s update FY15 Budget Projections
- Preliminary budget to Board subcommittee

**June**
- Final Budget approved
- Approved Budget loaded into Banner
Business Officer Training Sequence FY2014

Training curriculum designed with your needs in mind

Deans & VPs (individual mtgs Aug-Sept)

Support Units: CFO 9/13, Advancement 10/2, Facilities & Safety 10/8, Provost TBD,

Business Officers have been enrolled in a Blackboard Org which details times, locations & topics as well as supplemental resources

Session 1: Intro to Decentralized Budgeting & New Roles (9/20/13, 9am-3pm)
Session 2: Linking Data, Planning, and Budgeting (11/18/13, 9am-12pm)
Session 3: Budget Model Review & Planning Tools (12/6/13, 9am-3pm)
Session 4: Temple Policies & Financial Reports (1/10/14, 9am-3pm)
Session 5: Details Budget Activities, State Relations, etc. (2/21/14, 9am-12pm)
Session 6: Internal Controls & Organization of Financial Activities (3/14/14, 9am-3pm)

Subgroup Banner: Competency Centers & IR will lead
Subgroup Planning: Budget & Provost Office will lead with HR Learning & Dev.

Accessing Data & Reports OCT 23/24
Accessing Data & Reports NOV 6/7
Accessing Data & Reports DEC 10/12
Planning Training OCT 3/4
Planning Training NOV 25/26
Planning Training DEC 9/19
Questions & Next Steps

For more information and news about the process:

www.temple.edu/cfo