Decentralized Budgeting: Financial Management and Strategic Outlook

Learning & Development
Administrative Council – September 25, 2013
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.
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
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
Assessment Charge: 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

UG Financial Aid @ 17.5% Net UG Tuition Income

Grad/Prof Tuition
Course College

Net Total Tuition

Tuition Transfer School of Instruction

Plant Fund @ 5% Total Net Tuition

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
Space is first allocated to support units, then to Revenue Centers at $20.07 per sq. ft.
Temple Budget Model - Support Centers with Allocated Cost Drivers continued

- **Auxiliary Subsidy**
  - 70% UG CHG
  - 20% Grad CHG
  - 10% Prof CHG
- **Library**
  - 25% UG CHG
  - 20% Grad CHG
  - 5% Prof CHG
  - 50% Faculty FTE
- **Student Services**
  - 80% UG CHG
  - 15% Grad CHG
  - 5% Prof CHG
- **University College**
  - 70% UG CHG
  - 25% Grad CHG
  - 5% Prof CHG
- **Uncollectible**
  - 80% UG CHG
  - 15% Grad CHG
  - 5% Prof CHG
- **Research**
  - 50% Tenure Track FTE
  - 50% Research Expenditures
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
Support Unit Leaders & 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 access and interpret data.

• To be customer focused and value driven, accountable for costs and quality of service provided to the university.
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 Provost and President 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 Provost Funds
  • Committee meets to recommend budget changes

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)
Senior Administration (9/13/13 9am-12pm)

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
Accounting Processes, HR, C&G, ICR (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
Banner Training OCT 23/24
Banner Training NOV 6/7
Banner Training DEC 10/12

Subgroup Planning: Budget & Provost Office will lead with HR Learning & Dev.
Planning Training OCT 3/4
Planning Training NOV 25/26
Planning Training DEC 9/19

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

For more information and news about the process:

www.temple.edu/cfo