

University Budget Development Committee

University of Wisconsin Oshkosh
Meeting Agenda and Summary

Meeting Time: 11am – 12pm
Meeting Date: Friday, 13 November 2015
Meeting Location: Dempsey 236

Agenda

- ❖ Summary
- ❖ Announcements
 - Update on Budget 101
- ❖ Discussion topics:
 - Budget spreadsheet
 - Public no more – chapter 6
 - IBM vs. RCM
 - Nacubo article
 - Various budget models used in higher education
- ❖ Standing question up for debate: *Should UW Oshkosh continue to use the current incremental budget model as it currently operates at the university to college/unit level?*
 - What do we need to know in order to answer this question?
- ❖ Walk-ons

Recommended readings:

- Chapter 6 in “Public No More” book
 - http://www.nacubo.org/Business_Officer_Magazine/Magazine_Archives/January_2013/The_Buck_Stops_Elsewhere.html
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Summary

Attendees: Ryan Haley, Julia Hodgen, Matt Suwalski, Bill Wacholtz, Reginald Parson, Dean Koker, Nathan Stuart & Barb Rau (Attending for Dean Beyer), Jean Kwaterski

- I. Announcements
 - a. Summary changes
 - i. November 5th meeting minutes are missing Jean on list of attendees.
 - b. Budget 101
 - i. Angie, Lori, Bill & Ryan will meet next week to work on Budget 101.
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Prepared By: Angie Metke and M. Ryan Haley
Date Prepared: 15 November 2015

- ii. We will table further discussion until a second version is prepared.
 - c. Today
 - i. We can review the spreadsheet.
 - ii. Discuss Public No More and the NACUBO article.
- II. Reading Discussion
 - a. Both discuss the difference between IBM and RCM.
 - b. NACUBO discusses the 3 most commonly used budget models.
- III. RCM
 - a. Reginald: It sounds more free and relaxed of a model.
 - i. More opportunities for Deans to be more creative by generating more revenue through programs. Opening up opportunities for students to be part of new majors and programs.
 - b. Jean: With the indirect costs; that needs to be divided up among all those responsibilities. That process can be difficult.
 - i. Ryan: I have heard that is the most difficult in the RCM model.
 - ii. Ryan: The deeper concern is how do we understand a level of service? How do we know what quality and efficiency of service will be provided?
 - iii. Jean: And their responsibility will be looking at their budgets and analyzing what kind of customer service they plan to provide and what are the requirements/needs of different areas.
 - iv. Ryan: Ohio University is a good example we could look to as a guide for making these decisions.
 - 1. Madison has chosen an Activity Based Model but the first phase will not focus on cost attribution.
 - v. John: How does the customer service piece, being evaluated, vary? I don't see that as clear. In an IBM model, for example, does that guarantee that facilities provides good customer service? Does RCM?
 - 1. Ryan: Are you trying to say there is no way to guarantee service quality in the current system?
 - 2. John: I'm wondering how we can add it into a future model. How do we ensure that you get customer service that meets your needs?
 - a. Matt: You could do performance based on the service side.
 - c. Ryan: This gets to a deeper point: if we change we will get accused of "you are causing X,Y & Z" so we need to emphasize that the current model currently causes X,Y & Z as well.
 - d. Ryan: The challenge with Performance Based is it dependence on formulas
 - i. We may end up with so many formulas that it will become too complicated.
 - ii. Matt: I think we may want to use the Performance Based with some of those Indirect Cost areas. Because if they can't generate revenue, how will we determine how much funding they receive?
 - iii. Ryan: What I hear you saying is a possible hybrid of RCM on the revenue generating side and Performance Based on the cost center side?
 - e. Reginald: As a campus we are looking at special populations (Center for Diversity). What category do they fall under?

- i. John: They generate revenue with grants but aren't a normal cash generating division.
- f. Ryan: In my mind there are three main types of groups on campus:
 - i. Revenue Generating in the black
 - ii. Revenue Generating in the red
 - iii. Non-Revenue Generating
 - iv. We will need to figure out how to fund Revenue Generating in the Red and Non-Revenue Generating.
- g. Jean: From the Chapter 6 article, there are several Universities mentioned. Should we do some follow up with those Universities to see what has happened since then.
 - i. Ryan: Yes.
- h. Bill: Have we identified the ones that tried it and failed?
 - i. Ryan: Not yet. There are several schools that tried RCM and have struggled. Michigan has had ups and downs. Vanderbilt has gone a distance and is now backing down in selected areas.
 - ii. There was only one place, I found, where it failed and they went back. I will try to find which university it was.
 - iii. Florida and Arizona started and then backed off due to the economy and change in leadership, but then moved forward again when economics conditions and leadership improved/changed.
- i. Would it be stretching to have more than two types of models for a hybrid?
 - i. John: Well we still have to keep in mind how we divvy funds up. Once we get past that, the answer is yes, because it will depend on the units. But the initial method to divvy funds up, I don't know if I see multiple models utilized in that process.
 - ii. John: Our 102 is two sources of funding.
 - 1. Is it possible to have a model in which the non-revenue generating units receive the state appropriation? And the revenue generating units keep their funds?
 - 2. Can the non-revenue generating units "live" on that? Is it too little or too much?
 - 3. Then you have the fee for service and should they be taxed or not?
 - iii. John: You can take all the revenue from the University, no matter what it is, it all goes into one pot and it will be divvied up.
 - 1. With the exception of the state-funded ones with requirements.
 - 2. Ryan: But that would be a neo-incremental budget system.
 - iv. Nathan: So there are two terms coming up. First is cross-subsidy. Second is fee for service.
 - 1. John: Fee for service is like you pay your room cost and faculty who purchase a parking pass; and it goes to that unit to provide that service.
 - 2. Nathan: So that's like when we ask IT to turn on ethernet in a room?
 - a. No that's a chargeback. That is an internal movement.
 - 3. Ryan: Cross-Subsidy is when money flows from low-cost areas to high-cost areas.

- a. Nathan: When you say cross-subsidy are you limiting it to academics?
 - b. Ryan: No, this would include other areas on campus like HR.
 - c. Nathan: In an RCM model, the tax is to support these areas?
 - 4. Ryan: One of the keys to having a more intricate model is to have more tuition control.
 - a. High demand or high cost areas need differential tuition to have the ability to offset the need for cross-subsidies.
 - b. Jean: I'm just concerned about using the term. Differential tuition because the BOR has a whole process of getting them approved.
 - i. Ryan: I would like to look further into that process.
- j. Nathan: I hear an embedded assumption that all this other stuff doesn't matter until you answer "What it is that you want to do with a budget model?"
 - i. There are a lot of different study groups going on which will be impacted by this group, including strategic planning.
 - ii. If the goal, to look at the chancellor-to-unit level, and ensure that the monies flow in alignment with strategy and transparency. Once campus realizes that your purpose is to do these things, you will receive more buy-in from campus, no matter what model is chosen.
 - iii. Ryan: New members were not up to speed on the research the CSG-BS had done.
 - 1. We have pushed forward with all learning all the models.
 - iv. Nathan: I think you could process a lot of the goals without claiming you are changing a model.
 - 1. Facilities will be cost-centers, so the best practice is to figure out what really is mission centric and what do those units need from facilities.
 - 2. In that case, you would need a Performance Agreement not a Formula Based Budget.
 - v. Nathan: Once we decide, regardless of what we decide, will we really say we won't be doing A any more but we will start with B? One of the parts of conversation will be that we will have to have the fortitude to remove or stop certain things.
 - 1. Ryan: We are now in a position where we will have to have realignments, which is largely outside the UBDC purview. A good model will hopefully help make any future realignments more painless.
- k. Nathan: I think transparency and availability of information is more important than a new budget model.
 - i. For example the Budget Planning Document is available to everyone and I can see how much each college receives.
 - ii. Ryan: Transparency only exposes, it does not offer a mechanism for fixing. The question is how did we get to that number? Why does each unit receive its funding level?

- iii. Nathan: But the Dean's don't get a say in the generating of that number.
 - 1. Matt: But if we went to an RCM extreme pressures will be put on the Colleges for enrollment.
- l. Ryan: The point is that, like Madison, we need to try to keep the metrics very simple. With the idea that we don't want to oversimplify but we don't go farther than we actually have to.
- m. Bill: One thing I would like to see is; we have Budget numbers right now. Let's run a theory experiment with the numbers we have right now.
 - i. Let's use those numbers with the various models.
 - ii. Ryan: We have some numbers but what numbers do we start with?
 - iii. Bill: But we do have budget numbers in front of us that we have been running IBM model on? Why can't we run these numbers on new models?
 - iv. Ryan: Because many of the measures we might need to dry-run these other models have not ever been assembled – even complete SCH information is new territory for allocation purposes.
 - v. How about we use one of our Saturday meetings to go through the number and the models.
 - vi. Matt: Before we go into that we need to do some pre-work on the data.
 - vii. Bill: Maybe we make that the entire agenda item for next week to figure out what we need.
- n. Ryan: One of Madison's most recent documents, on the UBDC website, they talk about the metrics they use for revenue distribution.
- o. Nathan: If you look at the colleges as the profit centers, what do they need from the service areas and what does that cost?
 - i. Matt: No matter what model we look at we will need to determine the costs of the cost centers.
 - 1. That should be one of the first steps.