



ACADEMIC BENCHMARKING
CONSORTIUM



**Strategic Budgeting
in the Trenches:**
The Tangible Value of Modern
Processes, New Technology,
and the Right Data

Mike McKee - Florida
Kelli Shomaker - Auburn
Dr. Paul Friga - UNC and ABC

SACUBO 2018

May 8, 2018

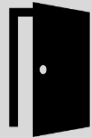
www.abc-insights.com



Session Overview

Let's get strategic about our budgeting processes...

INTRODUCTION



Changes are a' comin' to higher education and there is a need for better budgeting and data

FLORIDA



Eight years of a modified RCM, war stories, and lessons learned (especially related to data-based decisions)

AUBURN



Six years to make a decision, just getting rolling with RCM, and how data are helping

Let's take a poll...



I would like to improve the quality of the data used in budgeting on my campus.

- A) Strongly agree
- B) Agree
- C) Disagree
- D) Strongly Disagree

There are significant pressures on universities today

Demand-Side Pressures:

- Investment in facilities and services to attract top students
- Investment in research infrastructure to support top faculty

Revenue Pressures:

- Continued Cuts in state appropriations
- Nascent limitations on increasing tuition

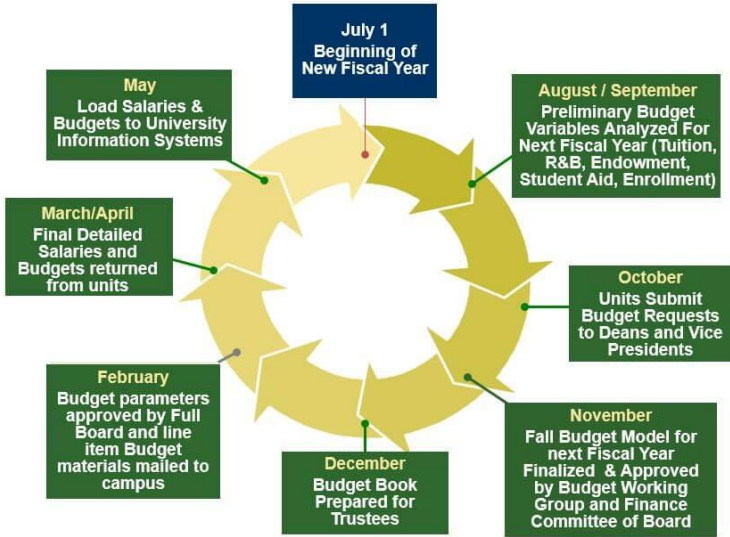


COST MANAGEMENT

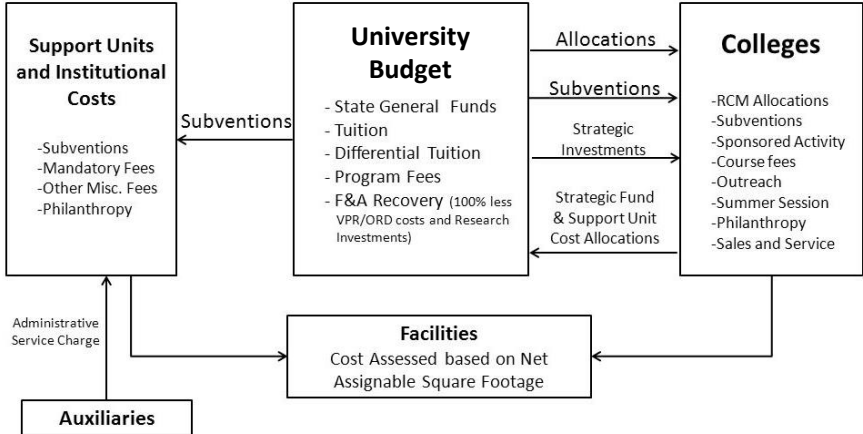
Source: *The Time Is Right For Higher Education To Embrace Benchmarking* (Beisser, S; Friga, P; Krasnov, J.; Phillips, M.)

Budgets drive priorities and spending on campus

Annual Budget Process



RCM Budget Process



Decentralized spend in higher ed is difficult to quantify and analyze

“Institutions of higher education confront many barriers to cost control. Perhaps the most **basic impediment is poor cost information**”

50% of Educause respondents were **unable to estimate distributed* IT costs**



66% of CFOs **lack the “sufficient information** to judge administrative units”

*Distributed refers to IT services not reporting to the CIO (“decentralized”)

Source: www.insidehighered.com, www.universitybusiness.com, library.educause.edu

ABC addresses key benchmark data questions

To whom should we compare?

What level of analysis?

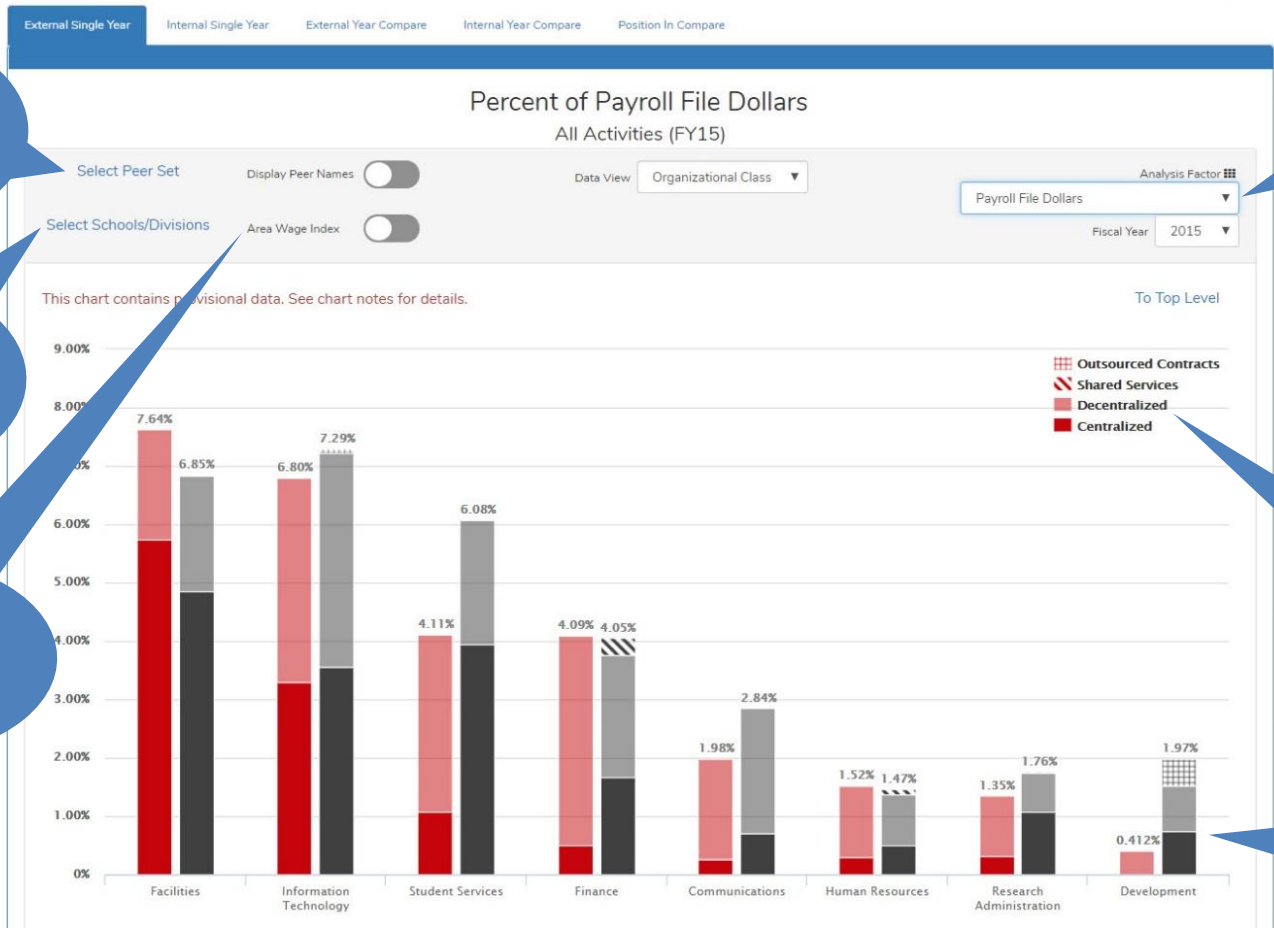
Adjustment for local labor rates?

How do we normalize?

of students,
of faculty,
of acres/ft. sq, % OpEx, research \$, development \$, etc.

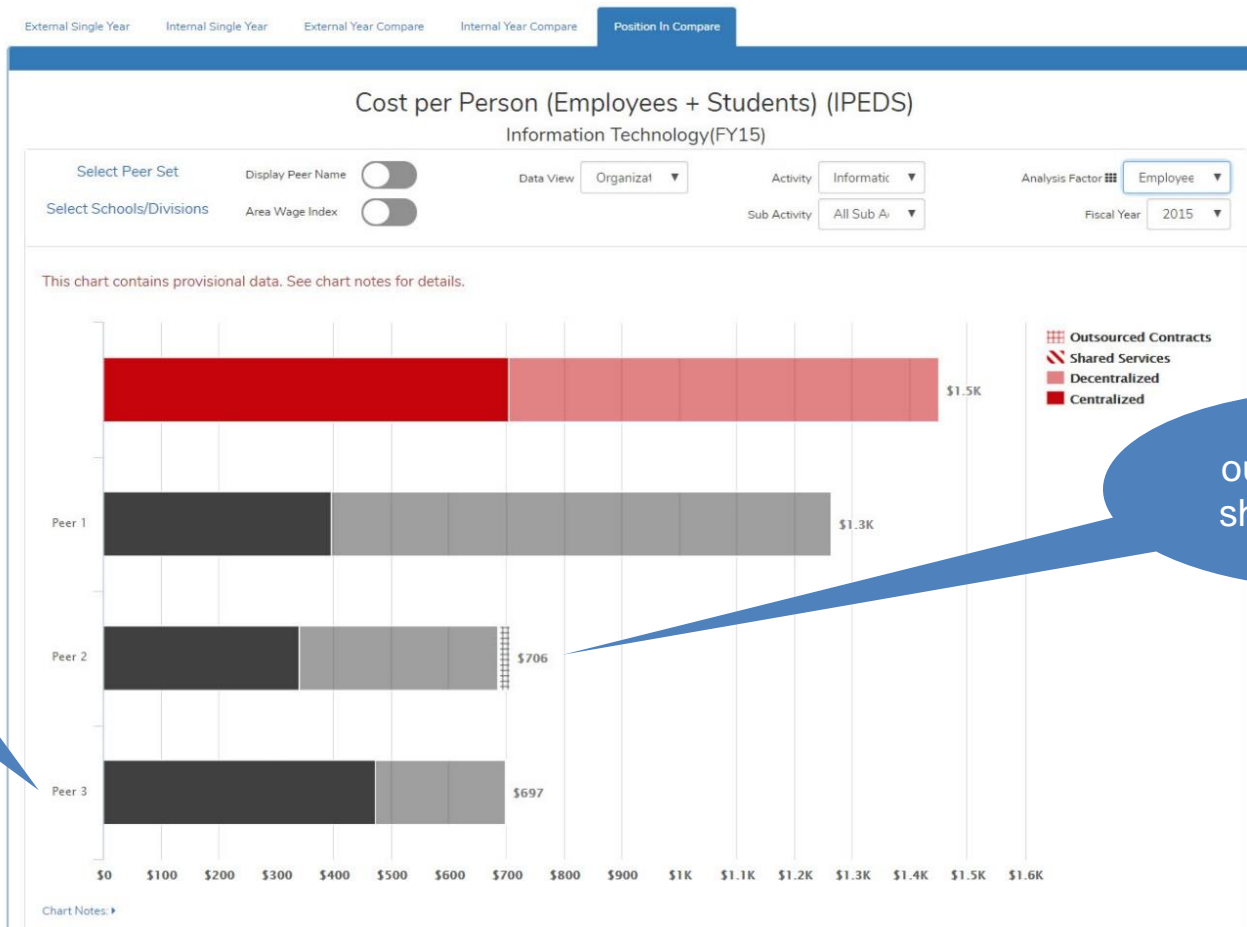
Where costs are located?

Which activities to analyze?



Source: Academic Benchmarking Consortium, abc-insights.com

Peer comparisons can generate insights



How is this peer so efficient?

What is the outsourced and shared services strategy?

Source: Academic Benchmarking Consortium, abc-insights.com

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The primary budget model we use on our campus is...

- A) Incremental
- B) RCM
- C) Modified RCM
- D) Other

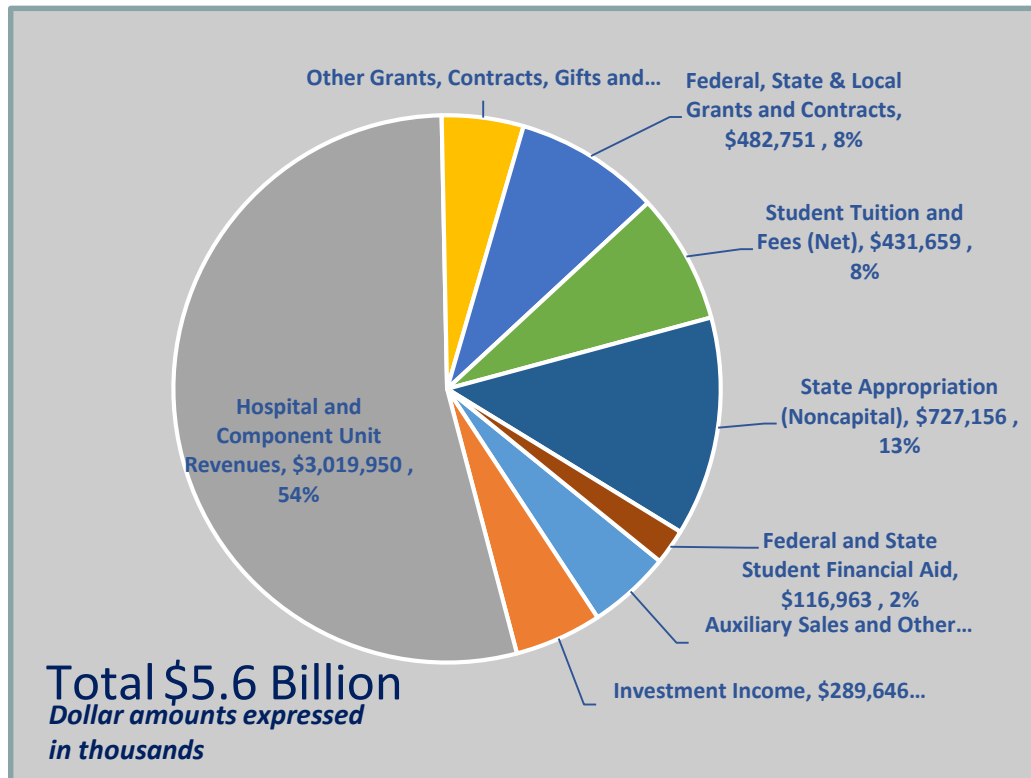
The University of Florida

- ✦ Established in 1853
- ✦ Land Grant Institution
- ✦ 2017 Enrollment: 55,862
- ✦ 150 Research Centers and Institutes
- ✦ 2,000-acre campus
- ✦ FY '17 total expenditures of \$5.3B



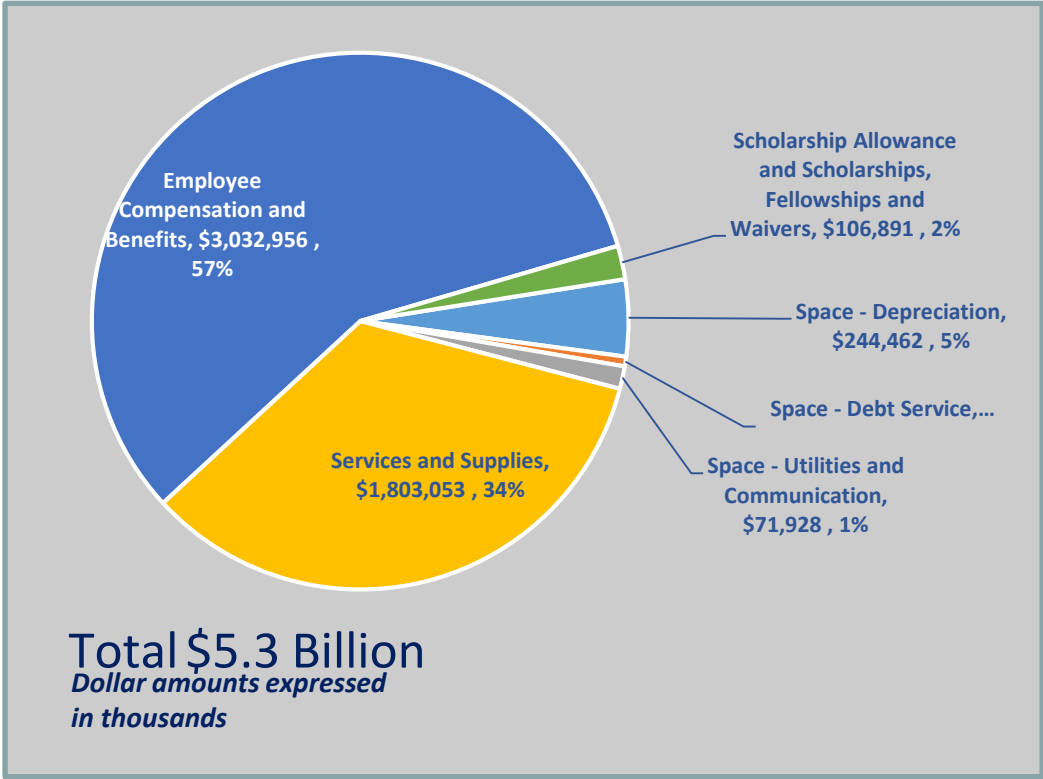
Source: University of Florida

UF Enterprise Revenue Sources FY17



Source: University of Florida

UF Enterprise Expenses FY17

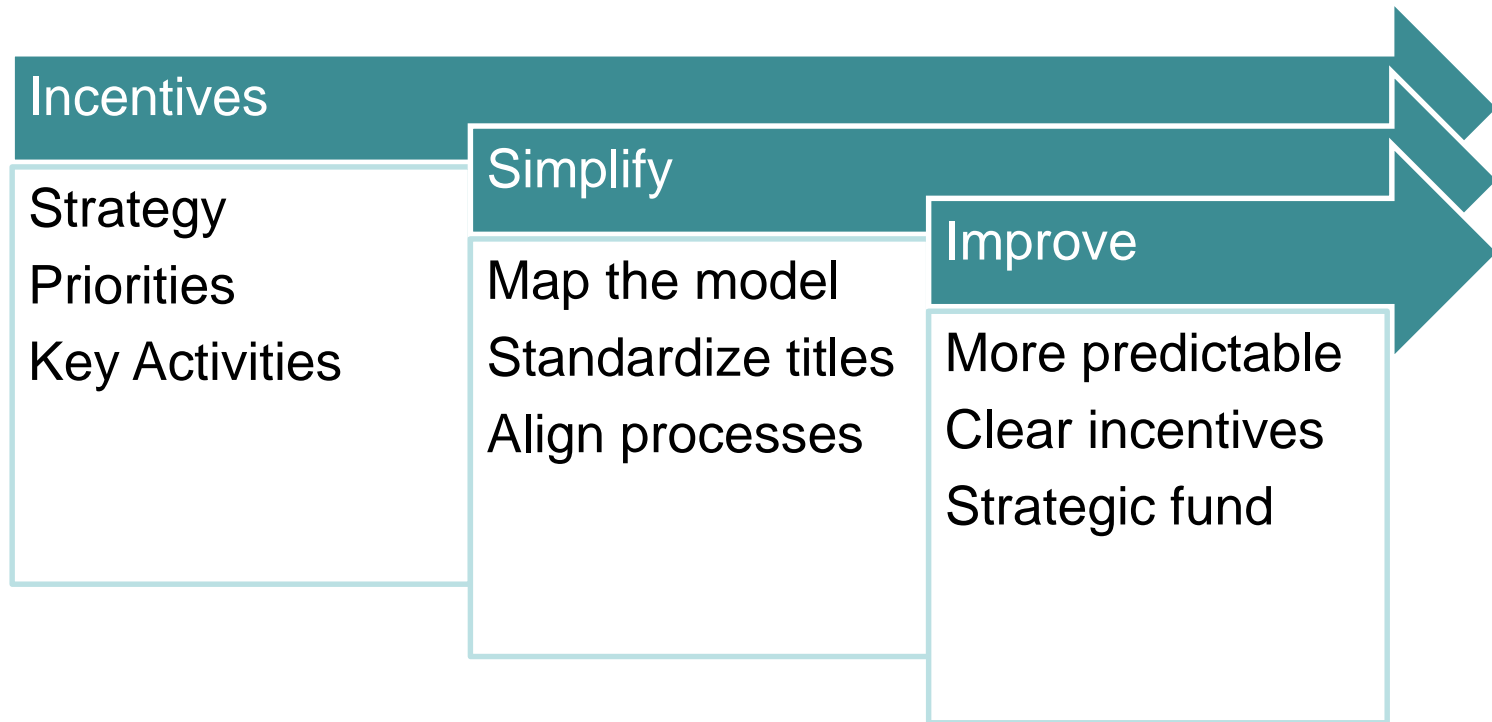


Source: University of Florida

Concerns with historical budget model

- Weights
- Classification of space
- Calculation too complicated
- Budget is a surprise each year
- Can't predict outcomes of decisions
- Degree production not incentivized
- Retention not incentivized
- Interdisciplinary programs not incentivized
- Research not incentivized (linear tax)
- IDC vs SPA Tax
- Tax Driver/Assessment Metrics
- Start up issues for entrepreneurial activities
- Capped enrollment
- Tuition allocation
- Waivers
- Self funded courses lead to faculty overload
- Tax creep
- Subvention
- Strategic Fund

The UF journey to improve budget decision-making



Carefully thinking through allocations to units - e.g. 70/30 split, Provost strategic fund, supplements

Tuition (Calendar Year of 2015) 70% By Teaching/30% By Enrollment											Net Tuition To Colleges	General Fund Supplement (GFS)			
College (A)	In State Tuition				In State Tuition Total (F=B+C+D+E)	Out of State Fee				Out of State Fee Total (K=G+H+I+J)	Grand Total (L=F+K)	Total (N=L-G)	Recurring (P)	PO&M (Q)	Total (R=P+Q)
	Under Grad (B)	Grad 1 (C)	Grad 2 (D)	Prof (E)		Under Grad (G)	Grad 1 (H)	Grad 2 (I)	Prof (J)						
Agricultural and Life Sciences	12,966,410	2,244,274	3,381,207		18,591,892	2,874,655	695,889	746,212		4,316,755	22,908,647	20,033,993	19,132,354	188,352	19,320,706
Arts	4,499,862	376,065	233,434		5,109,361	876,430	50,385	690		927,505	6,036,866	5,160,436	12,970,672	67,534	13,038,206
Business Administration	11,408,324	9,558,702	142,111		21,109,137	4,000,484	4,698,709	17,462		8,716,655	29,825,792	25,825,308	6,768,711	1,459,458	8,228,170
Dentistry	433	485,331	3,114	12,115,986	12,604,863		162,959		151,319	314,277	12,919,141	12,919,141	14,373,019	69,928	14,442,947
Design, Construction & Planning	2,846,661	2,311,627	647,731		5,806,020	992,903	1,339,106	289,819		2,621,827	8,427,847	7,434,944	5,876,697	-	5,876,697
DOCE	2,983,650				2,983,650	1,139,951				1,139,951	4,123,601	2,983,650	976,960	-	976,960
Education	2,852,510	4,800,759	3,071,777		10,725,145	759,213	644,826	347,374		1,751,413	12,476,558	11,717,346	9,503,996	-	9,503,996
Engineering	15,345,750	10,306,282	8,124,946		33,776,978	2,386,168	8,832,747	624,812		11,843,727	45,620,705	43,234,536	47,060,477	1,130,705	48,191,183
Health & Human Performance	5,756,370	1,476,317	585,995		7,818,682	1,641,571	550,857	53,147		2,245,574	10,064,256	8,422,685	4,920,034	1,198	4,921,231
Journalism & Communications	5,715,417	601,804	160,062		6,477,284	1,905,513	377,890	54,941		2,338,344	8,815,628	6,910,114	6,501,921	325,764	6,827,685
Latin American Studies	84,825	209,452	22,422		316,699	25,862	20,016	6,764		52,642	369,342	343,479	2,402,616	35	2,402,651
Law	1,917	1,824,674	17,838,776		19,665,367	211	383,495	886,758		1,270,465	20,935,832	20,935,621	7,786,921	146,478	7,933,399
Liberal Arts & Sciences	48,334,549	1,650,170	3,575,702		53,560,420	11,721,462	912,906	642,407		13,276,775	66,837,195	55,115,733	71,596,619	30,110	71,626,729
Medicine	1,117,665	3,264,642	1,626,632	16,685,295	22,694,234	164,956	604,928	80,893	27,848	878,624	23,572,858	23,407,902	61,831,317	2,495,891	64,327,208
Nursing	1,771,309	682,798	2,616,561		5,070,668	200,039	8,283	130,723		339,045	5,409,713	5,209,674	5,400,196	-	5,400,196
Pharmacy	96,639	29,300	22,006,764		22,132,702	21,658	24,326	372,863		418,847	22,551,549	22,529,891	(281,355)	3,962	(277,393)
Public Health & Health Professio	2,603,427	4,032,515	5,149,141		11,785,083	445,979	635,206	166,848		1,248,033	13,033,116	12,587,137	6,046,838	276,236	6,323,074
PHHP-COM Integrated Programs		110,085	208,435		318,520		101,944	3,382		105,326	423,846	423,846	53,828	332,729	386,557
Veterinary Medicine	39,257	195,747	91,872	8,748,359	9,075,235	3,749	69,195	966	8,523	82,433	9,157,668	9,153,920	20,457,814	1,819,539	22,277,353
Grand Total	118,425,075	44,160,544	69,486,681	37,549,640	269,621,940	29,160,803	20,113,666	4,426,062	187,690	53,888,220	323,510,160	294,349,357	303,379,638	8,347,919	311,727,557

Source: University of Florida

And calculating overhead contributions - e.g. overhead is now assessed with fixed rates on rev

Overhead to Hold Harmless				FY17 State Revenue to Hold Harmless (Y=N+R-W)	FY17 Additional GFS			FY17 Non-Recurring Legislative Preeminence			Overhead On Additional Allocations in FY17			FY17 Net State Revenue (AN=Y+AH+AL)
IT and GA (T=N*10%+R*10%)	HSC Admin (U=N*2.15%+R*2.15%)	Facilities (V)	Total OH (W=T+U+V)		FY17 Recurring Legislative Specials (AB)	FY16 College Faculty and Staff Raises (AC)	FY17 UG Differential Tuition (AD)	FY17 Non-Recurring Legislative Specials (AF)	Preeminence (AG)	SubTotal (AH=AB+AC+AD+AF+AG)	IT/GA (AJ=AH*10%)	HSC Admin (AK=AH*2.15%)	SubTotal (AL=AJ+AK)	
10.00%	2.15%									10.00%	2.15%			
(3,935,470)		(4,971,088)	(8,906,558)	30,448,141		817,816	-		1,943,445	2,761,261	(276,126)		(276,126)	32,933,276
(1,819,864)		(2,307,969)	(4,127,833)	14,070,809		379,318	228,420		165,350	773,088	(77,309)		(77,309)	14,766,588
(3,405,348)		(1,929,673)	(5,335,021)	28,718,457		747,471	-		-	747,471	(74,747)		(74,747)	29,391,181
(2,736,209)	(588,649)	(2,616,243)	(5,941,101)	21,420,986		528,691	-		150,000	678,691	(67,869)	(14,601)	(82,470)	22,017,207
(1,331,164)		(1,671,042)	(3,002,207)	10,309,435		275,088	-		-	275,088	(27,509)		(27,509)	10,557,014
(396,061)		-	(396,061)	3,564,549		12,329	-		-	12,329	(1,233)		(1,233)	3,575,645
(2,122,134)		(1,268,929)	(3,391,063)	17,830,279	400,000	461,450	-	2,000,000	458,500	3,319,950	(331,995)		(331,995)	20,818,234
(9,142,572)		(14,616,053)	(23,758,624)	67,667,095		1,803,536	-		3,568,653	5,372,189	(537,219)		(537,219)	72,502,065
(1,334,392)		(1,398,163)	(2,732,555)	10,611,362		231,891	-		150,000	381,891	(38,189)		(38,189)	10,955,064
(1,373,780)		(800,633)	(2,174,413)	11,563,387		282,392	-		328,500	610,892	(61,089)		(61,089)	12,113,189
(274,613)		(85,181)	(359,794)	2,386,336		67,232	-		150,000	217,232	(21,723)		(21,723)	2,581,845
(2,886,902)		(2,052,609)	(4,939,511)	23,929,509		535,103	-		250,000	785,103	(78,510)		(78,510)	24,636,102
(12,674,246)		(14,264,694)	(26,938,940)	99,803,522		2,835,508	304,560		2,051,152	5,191,220	(519,122)		(519,122)	104,475,620
(8,773,511)	(1,887,473)	(12,741,332)	(23,402,317)	64,332,794		1,675,157	-	1,250,000	2,489,110	5,414,267	(541,427)	(116,479)	(657,906)	69,089,155
(1,060,987)	(228,254)	(420,536)	(1,709,776)	8,900,094		214,098	-		150,000	364,098	(36,410)	(7,833)	(44,243)	9,219,949
(2,225,250)	(478,725)	(1,399,578)	(4,103,553)	18,148,945		441,351	-		850,000	1,291,351	(129,135)	(27,781)	(156,916)	19,283,380
(1,891,021)	(406,821)	(1,581,618)	(3,879,461)	15,030,750		361,078	-		750,000	1,111,078	(111,108)	(23,903)	(135,011)	16,006,818
(81,040)	(17,434)	(289,103)	(387,577)	422,825		26,753	-		598,326	625,079	(62,508)	(13,448)	(75,955)	971,949
(3,143,127)	(676,191)	(4,803,164)	(8,622,483)	22,808,791		522,618	-		400,000	922,618	(92,262)	(19,849)	(112,110)	23,619,298
(60,607,691)	(4,283,548)	(69,217,607)	(134,108,847)	471,968,067	400,000	12,218,880	532,980	3,250,000	14,453,036	30,854,896	(3,085,490)	(223,893)	(3,309,383)	499,513,580

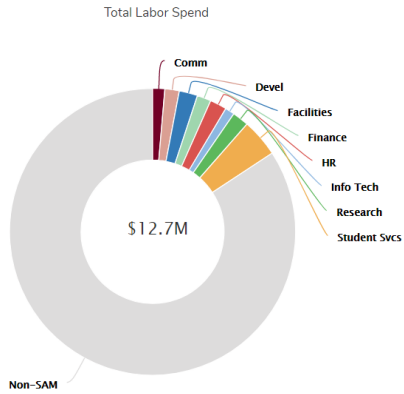
Source: University of Florida

Plans for using the ABC Data

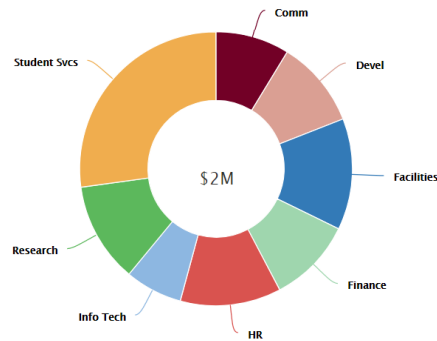
- ✦ Budget decisions (FTE levels and overall dollars invested)
 - Internal comparisons to other UF units
 - External comparisons to peer universities
- ✦ Shared service opportunities and effectiveness
- ✦ Better decision making at the unit level with peer data from other universities

A major goal is to do a deep dive of activity spend within and between units on campus

Labor Spend by Activity: College of Health & Human Performance

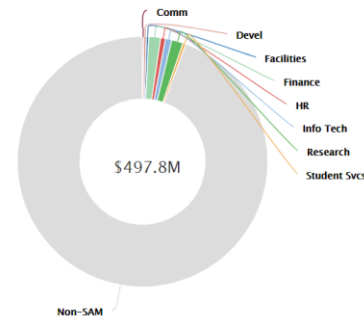


SAM Activities Labor Spend

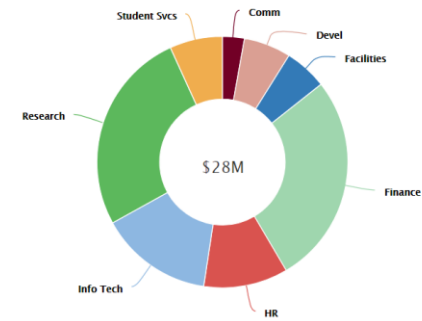


Labor Spend by Activity: College of Medicine

Total Labor Spend

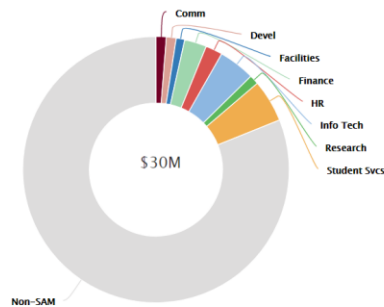


SAM Activities Labor Spend

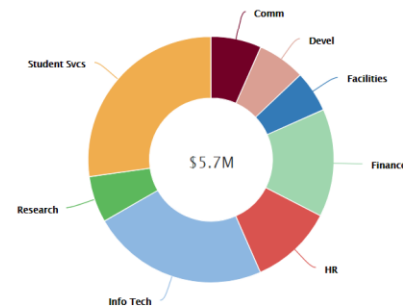


Labor Spend by Activity: College of Pharmacy

Total Labor Spend



SAM Activities Labor Spend



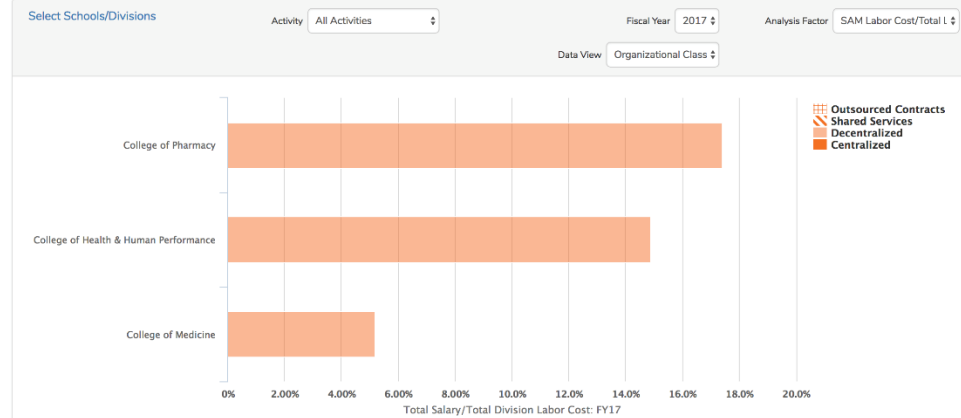
Source: Academic Benchmarking Consortium, abc-insights.com

We also plan to compare spending on campus - analyzing administrative spend as % all spend

Standard Activity Labor Cost
All Activities (FY17)



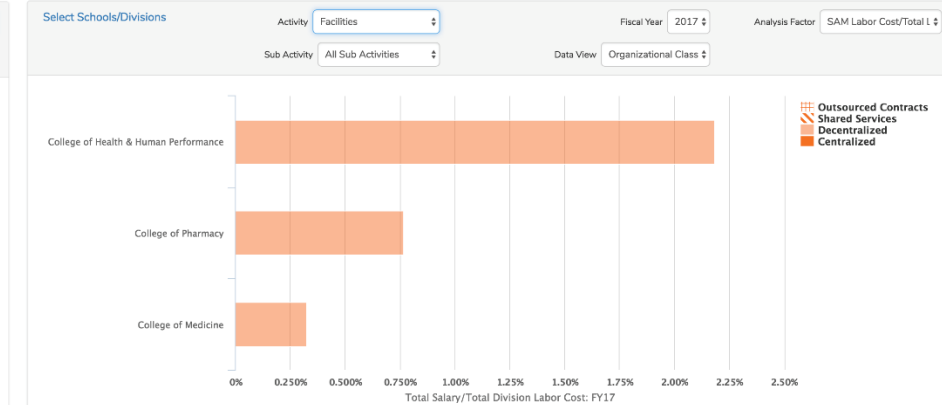
Standard Activity Labor Cost/Total Labor Cost
All Activities (FY17)



Standard Activity Labor Cost
Facilities (FY17)



Standard Activity Labor Cost/Total Labor Cost
Facilities (FY17)



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Auburn University

- ✦ Auburn, Alabama
- ✦ Land-grant, sea-grant, and space-grant institution
- ✦ Established 1856
- ✦ 2017 Enrollment: 29,776
- ✦ 1,800-acre campus
- ✦ 2017 Endowment: \$738M



Slow decision making process to change budget model

- * Six years to move to RCM
- * Faculty resistance
- * Unclear benefits
- * Inadequate support for hypotheses about inefficiencies due to decentralization (ABC data would have helped)

Auburn needed good data to inform the budget process

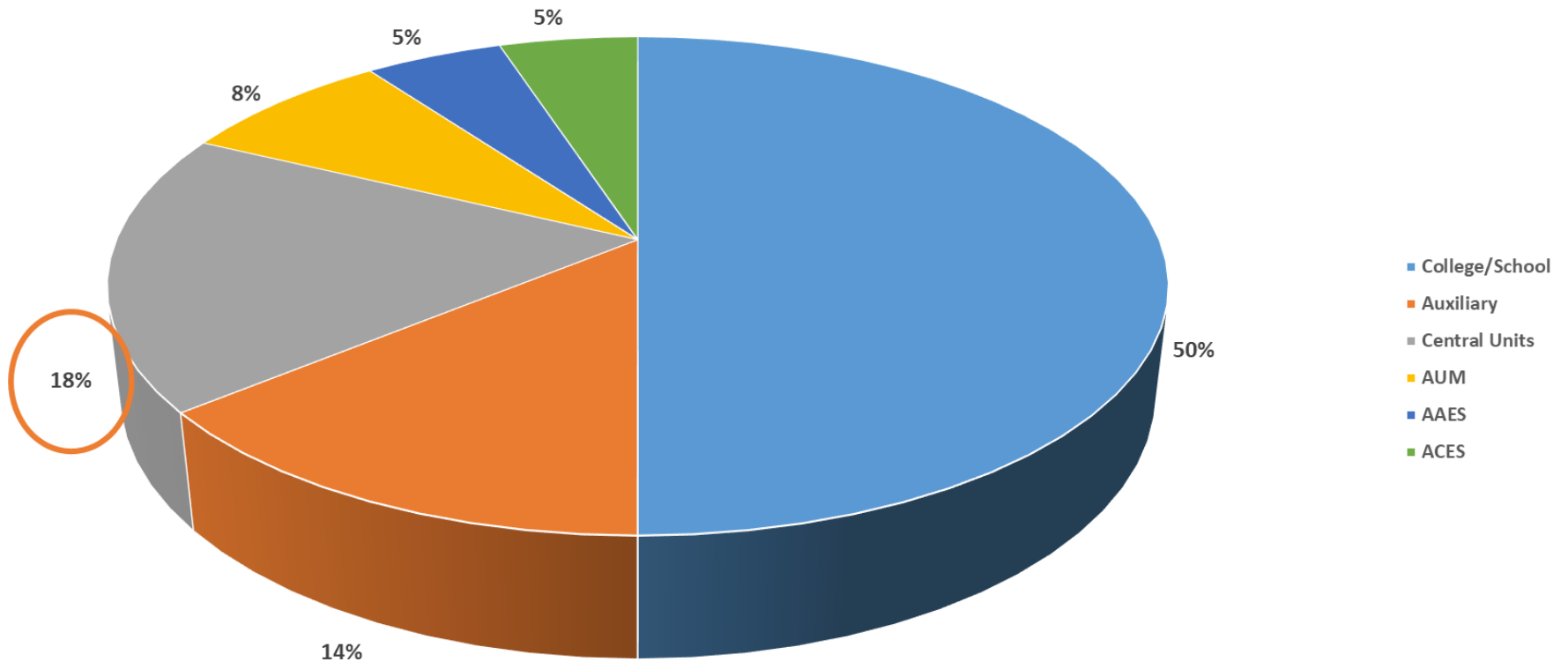
Situation – Auburn transitioned to an RCM hybrid allocation model for FY17 and needed to find ways to assess administrative spend as a part of the governance of the model.

Complication – Historically, Auburn has not maintained any data that would provide meaningful assessment of its administrative functions.

Resolution – We now have comparative data to begin assessing our labor spend in key overhead areas which are allocated to our revenue-generating units. We also have a tool to help with decision-making as administrative units begin requesting additional funds.

We plan to start with central spend and then work out to the units

Auburn University Expense Budget by Unit



Auburn uses ABC data to analyze spend

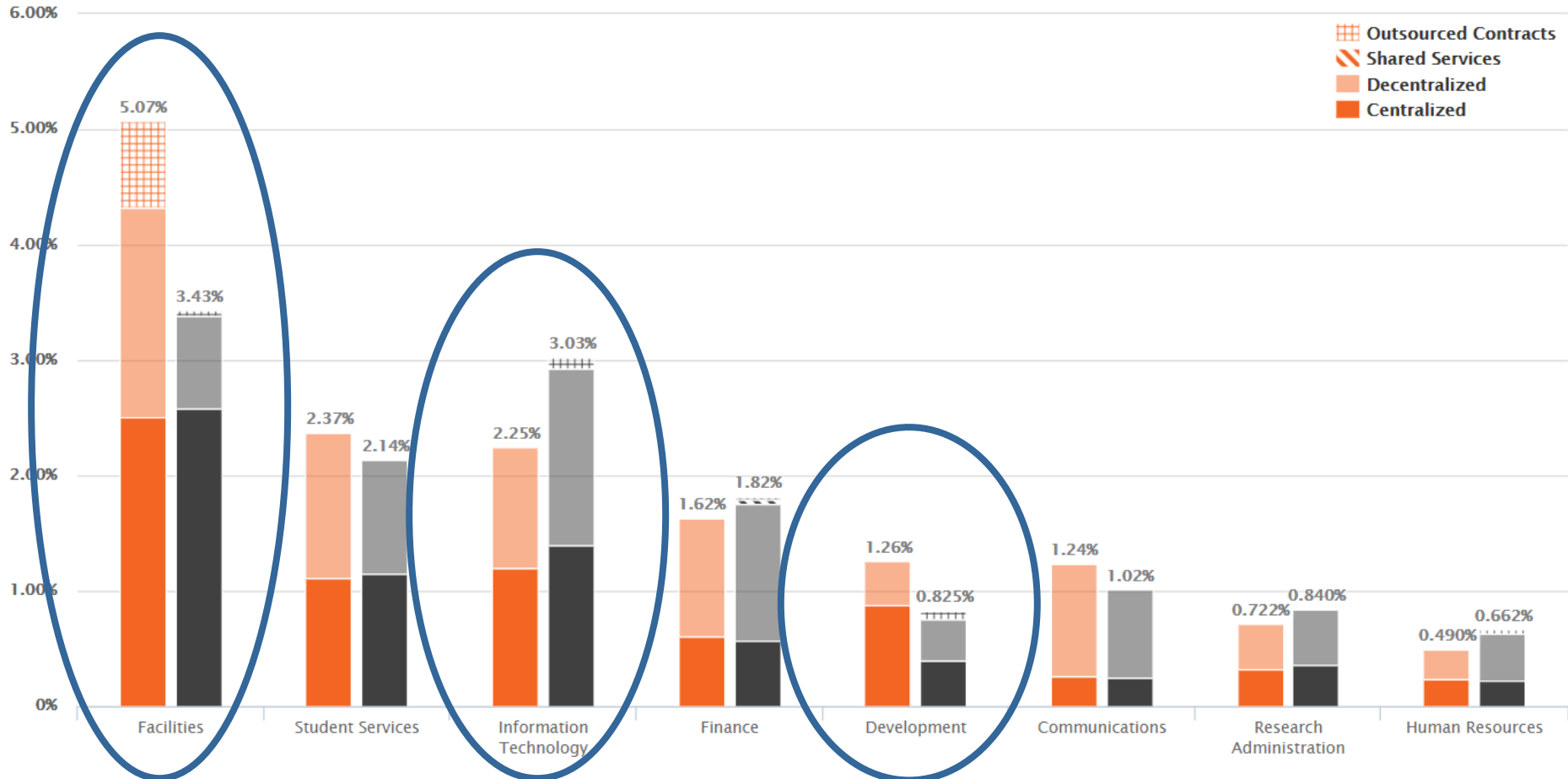
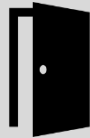


Chart Notes: ▶

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