



## A New Budget Process for VCU Council of Deans

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# The Beginning – First Steps to Explore a New Budget Process

- Budget Timeline
- Sequence of Events (FY12 – FY14)
  - New process will be implemented for FY 2014
- Pilot Project
- Preliminary Meetings
- Literature Review and Institutional Visits

# The Future – Next Steps

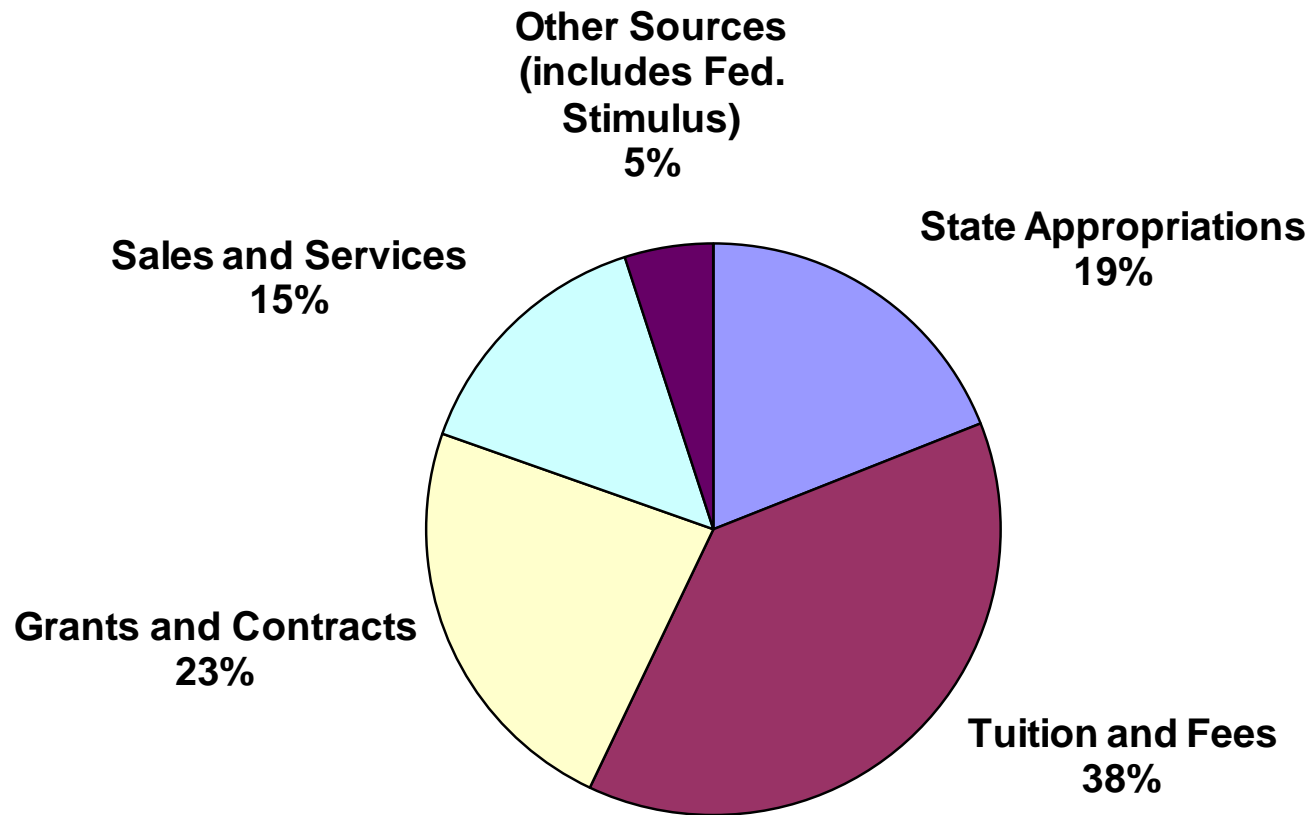
- Focus Groups
  - VPs
  - Council of Deans
  - FA & Provosts Office
  - Faculty Senate
- Budget Overview and Budget 101
  - Faculty Senate
  - Staff Senate
  - Student Government Association
  - Open Forums (both campuses)
- Development of Process
- Leadership Review

# In FY 2012, VCU is projected to collect \$899.8 million . . .

## Estimated Sources of Funds, FY 2012

	Educ. & Gen. Programs	Sponsored Programs		Auxiliary Enterprises	University Funds	Student Financial Assistance	Hospital Services	Total University
		Direct Costs	Indirect Costs (FACR)					
<b>State General Fund</b>	\$ 142,212	\$ 7,163	\$ -	\$ -	\$ -	\$ 21,699	\$ -	\$ 171,074
<b>Nongeneral Funds</b>								
Student Tuition and Fees	\$ 296,995	\$ -	\$ -	\$ 45,726	\$ -	\$ -	\$ -	\$ 342,721
Grants and Contracts	8,222	149,393	24,279	-	-	27,791	-	209,685
Federal Stimulus	7,773	-	-	-	-	-	-	7,773
Gifts & Endowment/Investment Earnings	185	-	-	1,635	29,501	-	-	31,321
Sales and Services	46,380	-	-	60,739	-	-	24,299	131,418
Other Sources	254	-	-	1,669	3,884	-	-	5,807
<b>Total Nongeneral Funds</b>	\$ 359,809	\$ 149,393	\$ 24,279	\$ 109,769	\$ 33,385	\$ 27,791	\$ 24,299	\$ 728,725
<b>Total University Sources</b>	\$ 502,021	\$ 156,556	\$ 24,279	\$ 109,769	\$ 33,385	\$ 49,490	\$ 24,299	\$ 899,799

# Where the money comes from . . .



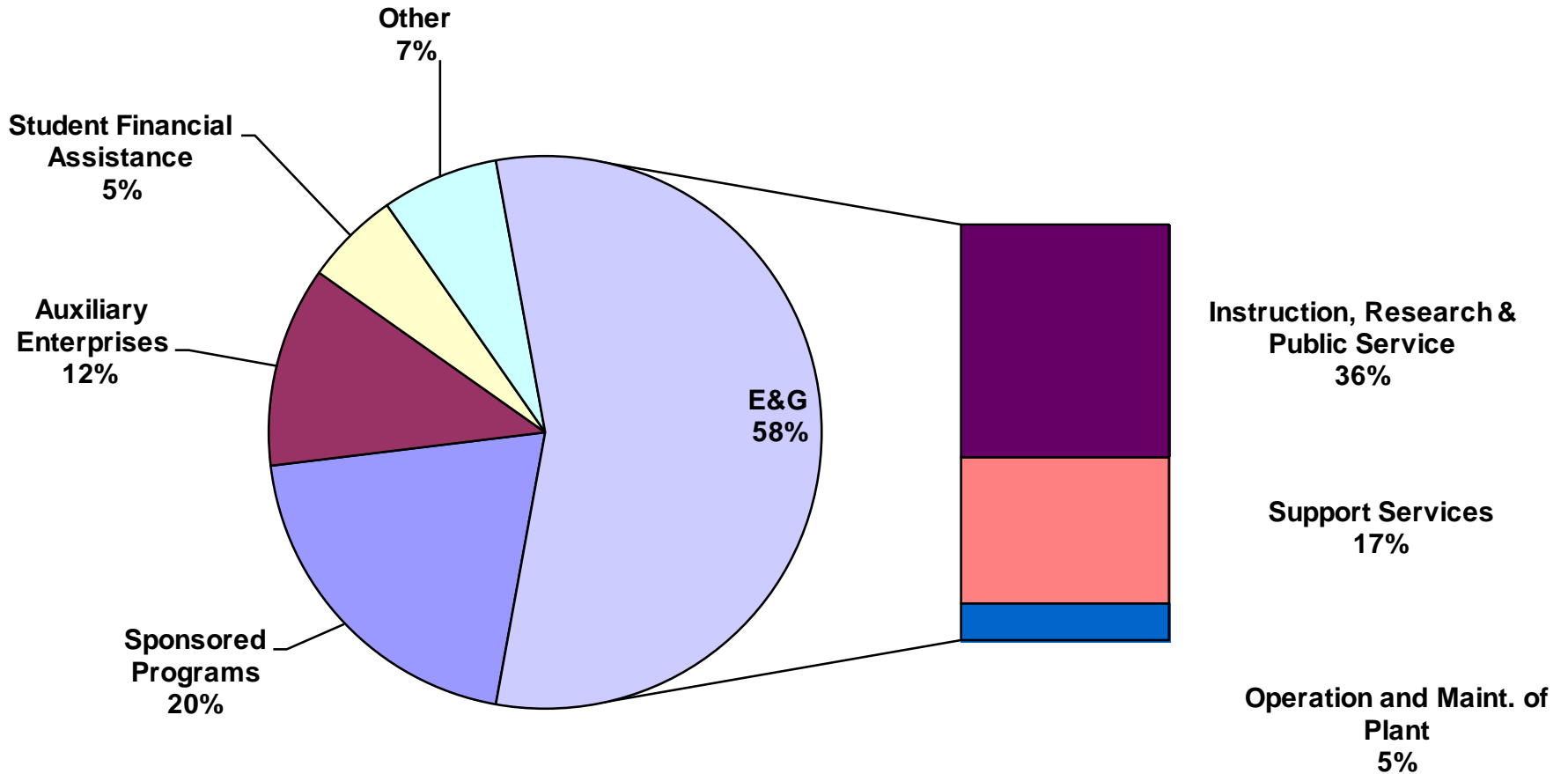
**FY 2012 Revenue totals \$899.8 million**

# And is budgeted to spend \$894.8 million . . .

## Estimated Uses of Funds, FY 2012

FY 2011-12 Uses	Educ. & Gen. Programs	Sponsored Programs		Auxiliary Enterprises	University Funds	Student Financial Assistance	Hospital Services	Total University
		Direct Costs	Indirect Costs (FACR)					
Instruction	\$ 266,051	\$ 9,803	\$ -	\$ -	\$ 6,643	\$ -	\$ -	\$ 282,497
Research	8,437	146,140	12,482	-	6,499	-	-	173,558
Public Service	5,358	613	-	-	674	-	-	6,645
Academic Support	94,094	-	2,497	-	10,802	-	-	107,393
Student Services	13,236	-	-	-	501	-	-	13,737
Institutional Support	50,806	-	1,413	-	3,491	-	-	55,710
Plant Operation and Maintenance	42,669	-	4,778	-	1,087	-	1,000	49,534
Scholarships and Fellowships	17,942	-	1,666	-	3,688	49,490	-	72,786
Auxiliary Enterprises	-	-	-	101,843	-	-	-	101,843
Hospital Services	-	-	-	-	-	-	23,199	23,199
<b>Subtotal Uses</b>	<b>\$ 498,593</b>	<b>\$ 156,556</b>	<b>\$ 22,836</b>	<b>\$ 101,843</b>	<b>\$ 33,385</b>	<b>\$ 49,490</b>	<b>\$ 24,199</b>	<b>\$ 886,902</b>
Reserves and Contingencies	\$ 3,428	\$ -	\$ 1,443	\$ 3,043	\$ -	\$ -	\$ -	\$ 7,914
<b>Total University Uses</b>	<b>\$ 502,021</b>	<b>\$ 156,556</b>	<b>\$ 24,279</b>	<b>\$ 104,886</b>	<b>\$ 33,385</b>	<b>\$ 49,490</b>	<b>\$ 24,199</b>	<b>\$ 894,816</b>

# Where the money goes. . .



**FY 2012 Budget totals \$894.8 million**

# VCU: Complex Interdependence

## Operating Revenues FY 2011:

Student tuition and fees	243,094,822
Grants and contracts	191,005,636
Auxiliary enterprises	101,710,543
Hospital services	1,734,229,549
Other revenues	<u>50,545,690</u>
	<u>2,320,586,240</u>

## Operating Expenses FY 2011:

Instruction	300,575,246
Research	146,162,824
Public service	7,016,675
Supporting services	136,399,570
Operations and maintenance of plant	61,019,717
Student aid	33,754,185
Auxiliary enterprises	64,858,064
Hospital services	1,519,340,939
Depreciation expense	113,890,001
Other expense	<u>2,390,345</u>
	<u>2,385,407,566</u>

FY2011 consolidated financial statements; does not include \$374 million in non-operating revenues



## Budget Models – Incremental/Decremental from Baseline

- Incremental additions and subtractions
- Existing programs (generally) do not have to be justified
- New resources provided for changes in benefits, salary increases (not lately), or other unavoidable costs
- Other increases provided only through extraordinary means
  - Pros: Certainty, Ease of administration
  - Cons: No bold moves; Nothing gets re-examined

# Budget Models – Responsibility Centered Management (RCM)

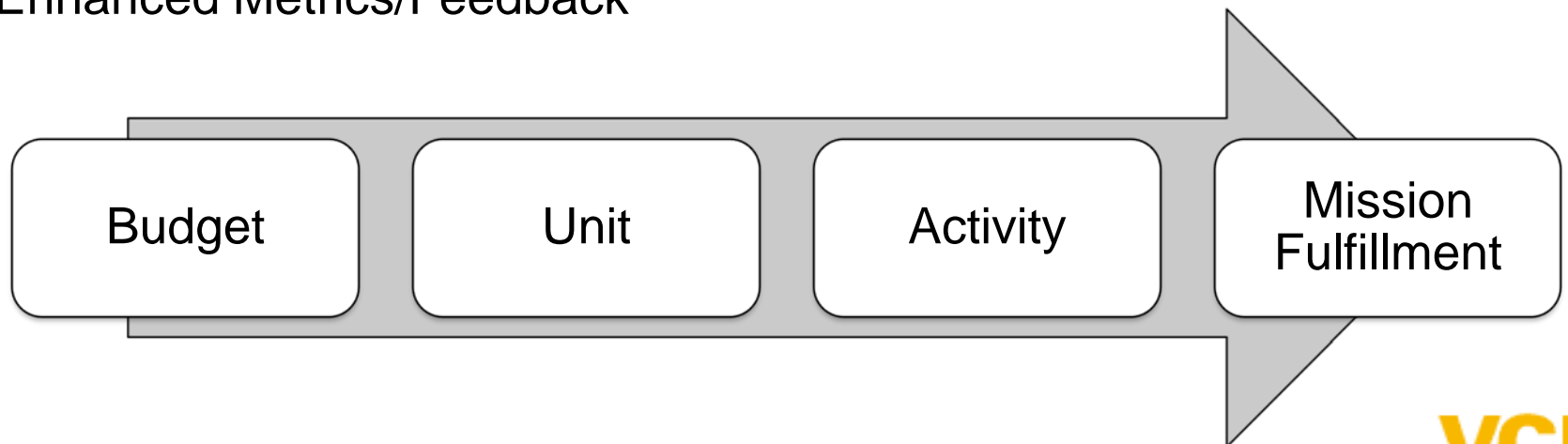
- Entrepreneurial – in use at Harvard, University of Oregon, Penn State, under development at UVa
- Schools are responsible for their own bottom line
  - Revenue centers keep revenues generated and pay for direct and indirect expenses
  - Cost centers are funded from direct assessments and general taxes
- Some revenue centers will require subventions
  - Pros: Leads to disciplined financial decision making, accountability
  - Cons: Will decisions be made on financial, rather than academic, basis?

## Budget Models – Zero Based Budget (ZBB)

- Assumes no history and builds from there
  - Often not realistic given personnel commitments
- Existing programs must justify each dollar requested
- Focused on outcomes and results; time-intensive
- Rarely applied 100% every year
  - Pros: Provides for in-depth knowledge of every program and activity; Focused on programs and improvements in operations
  - Cons: Doesn't recognize that some costs are truly on-going (faculty lines); Takes significant time and effort to administer

# Budget Models – Mission/Activity Aligned Budget

- Not Incremental
- Links Resources to Strategic Plan
- Aligns Resource Allocation with Mission
- Increases Transparency
- Enhanced Metrics/Feedback



# Budget Models – Hybrids

- Rarely is a “pure” budget model adopted
  - Generally there will be a mix of two or even three models in existence within an institution
- Issues that a new budget model should address include:
  - Making the budget fit the mission and needs of VCU in meeting its strategic goals;
  - Maximizing all available resources and revenue streams;
  - Managing costs; and
  - Creating a process that stakeholders trust

# Possible Guiding Principles of the New VCU Budget Process

- Transparency
- Financial Stewardship
- Fiscal Responsibility
- Collaboration
- Innovation
- Quest Focused

What have we missed?

# How Would You Like to See the Guiding Principles Operationalized?

# What Do You View as Barriers?