

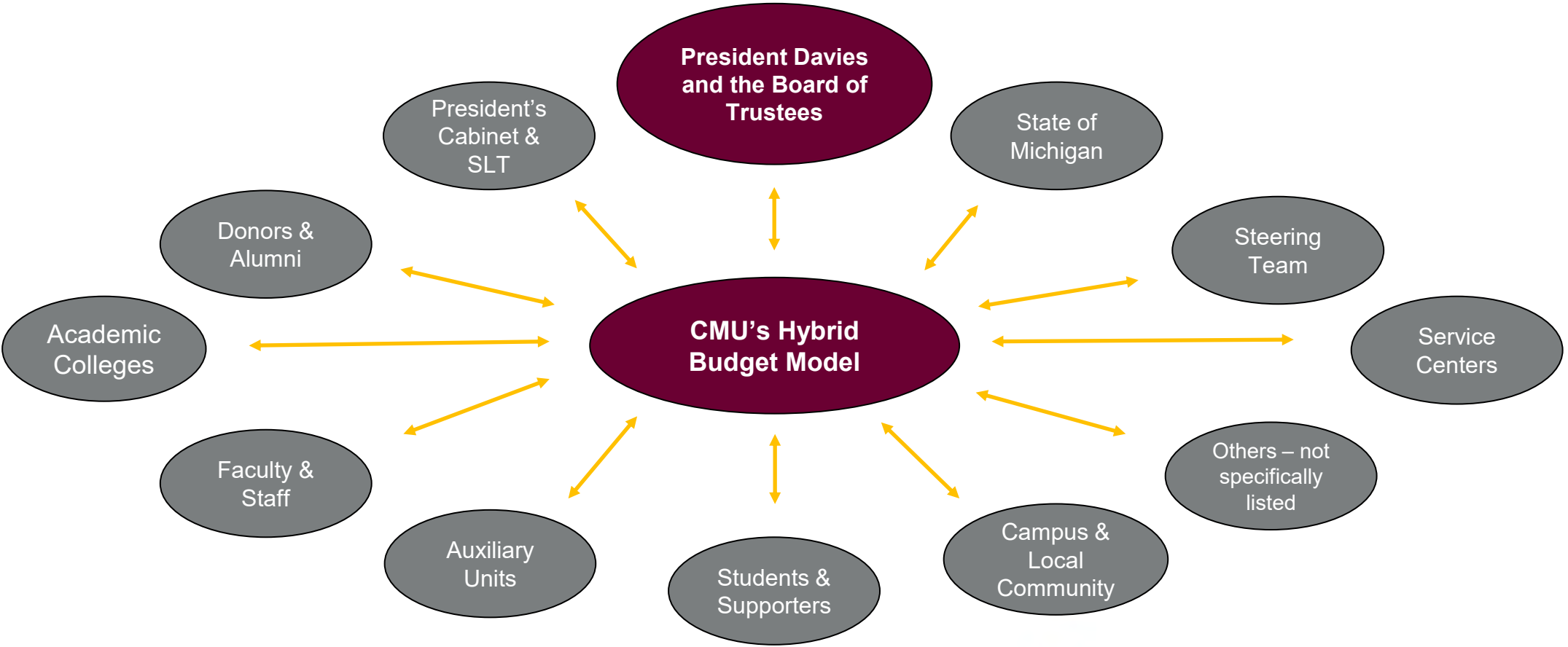


# CMU's Hybrid Budget Model – Campus Update



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# Stakeholder Map



# Before We Begin...

- The Board of Trustees asked for a new model to be created that will allow for greater centralized control, but also allow for strategic growth in specific areas of the university.
- The hybrid budget model does not determine funding levels/budget allocations for each college/service center/auxiliary unit/subsidized auxiliary unit.
- The hybrid budget model focuses on transparency in cost allocation and identifies areas where additional university investments are needed to account for the unique differences in programs/offerings.
- Budget allocations are determined during annual financial planning and budget development, based on enrollment projections as well as other revenue, and expense parameters.
- The FY 2023-24 operating budget had no major structural budget allocation changes due to the model.



# Guiding Principles

The Steering Team and campus stakeholders helped generate “guiding principles” for a University budget model.

1. **Mission:** Align resource allocation to strategic priorities that advance the mission of the university.
2. **Fiscal Management:** Promote a university-wide shared responsibility for the fiscal health of campus so that required institutional commitments can be funded.
3. **Transparency:** Develop a transparent budget model that provides a consistent, simple, and predictable methodology for revenue and cost allocation.
4. **Collaboration & Sustainability:** Establish a collaborative and sustainable budget process that promotes transparency and accountability through shared governance and open communication.
5. **Data-Informed:** Leverage trusted and reliable data that is accessible and understood by campus stakeholders to help facilitate data-informed decision making and long-term fiscal planning.
6. **Balance:** Develop a budget methodology that balances centralized control with unit level autonomy.
7. **Future-Focused:** Preserve resources to provide incentives for innovation and entrepreneurship in emerging areas that support the university in being nimble as higher education changes.



# Phase I

	<b>Goal 1: Create transparency in cost allocation, incentivize good fiscal stewardship, and increase fiscal accountability</b>	<b>Goal 2: Balance incentives, collaboration, and transparency with a central ability to steer resources</b>	<b>Goal 3: Support decisions via consistent and inclusive reports and policies</b>
<b>Phase I</b>	<ul style="list-style-type: none"> <li>A. Reimagine the current <b>operating and scholarship assessment</b> as well as <b>overhead study</b> allocation methodologies.</li> <li>B. Create a <b>new method for subvention</b>.</li> <li>C. Create a <b>carryforward policy</b> that allows for good financial decisions.</li> <li>D. Promote <b>greater fiscal accountability</b> for resources. Identify and review legacy agreements that may no longer be able to exist due to fiscal realities or discuss whether they should be incorporated into the model when they align with the guiding principles.</li> </ul>	<ul style="list-style-type: none"> <li>A. When practical, <b>align sources and uses</b> to provide <b>greater transparency</b> to the campus community.</li> <li>B. Create a <b>central “strategic fund”</b> managed through a unique request + governance process.</li> <li>C. Create a <b>policy on shared responsibility for differences between budgeted figures and actual results</b> (sharing excess revenue over budgeted levels and a collaborative approach when revenue shortfalls occur).</li> </ul>	<ul style="list-style-type: none"> <li>A. Create a <b>multi-year budget summary as well as work papers and templates</b> that produce both university-wide and individual-unit views of the budget allocation detail.</li> <li>B. Develop <b>policies and training materials</b> on allocation methodologies, decision processes, and data/reporting tools.</li> </ul>

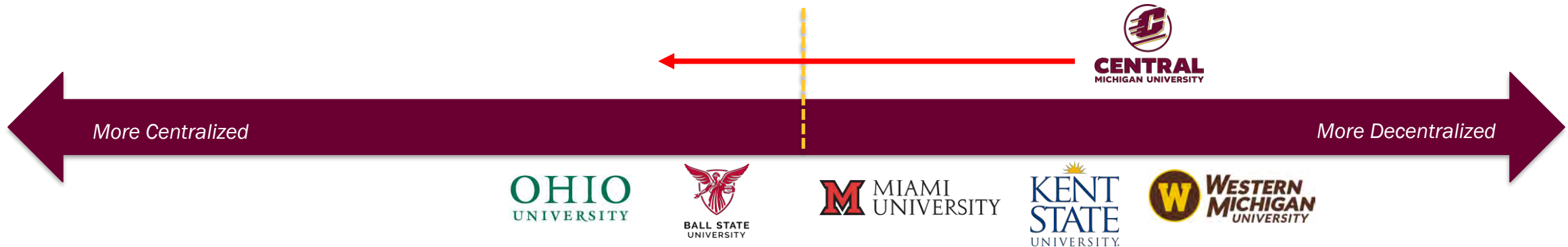


# Phase II – Items to Resolve

	<u>Goal 1</u> : Review areas where further discussions are required	<u>Goal 2</u> : Enhance decision-making through a more robust review process	<u>Goal 3</u> : Reduce redundancies and recharges whenever possible and practical
Phase II	<ul style="list-style-type: none"> <li>A. Broader discussion on the <b>research related activities</b>.</li> <li>B. Consider new allocation methodologies for <b>F&amp;A funding/indirect cost recoveries</b>.</li> <li>C. Integrate <b>new non-credit revenue from Innovation/Online</b> into the <b>budget model</b> to support updated priorities.</li> <li>D. Review <b>tuition and fee rate structures</b> based on comparison with peer examples.</li> <li>E. Discuss <b>graduate education and graduate assistants</b> in more detail.</li> </ul>	<ul style="list-style-type: none"> <li>A. Generate <b>analysis frameworks/templates</b> to support <b>strategic funding decisions</b> across academic, auxiliary, and administrative operations.</li> <li>B. More <b>closely align budgetary resources</b> with strategic priorities.</li> <li>C. Establish processes for a <b>coordinated, systematic review</b> of the use of strategic funds (ROI).</li> </ul>	<ul style="list-style-type: none"> <li>A. Create a <b>recharging approval process</b> and document <b>service level agreements (SLAs) and recharge processes</b> across shared service support functions.</li> </ul>



# Budget Model Spectrum



## More centralization in the following areas:

- State appropriations will fund specific fixed costs before supporting other areas of campus.
- The creation of a centralized strategic fund to support new, innovative ideas to move CMU forward.
- More consistency in policies and practices across campus that will limit working outside of the budget model.



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# Key Allocation Changes

Budget Area	Prior Budget Models	FY24 Allocation Approach (Changes in Bold)
State Appropriations	Allocated to units, SCH calculation (excludes special appropriations).	<b>Fund specific fixed costs from state appropriations</b> to ensure they are covered, even in times of declining enrollment/SCH. <b>Utilize state appropriations as the subvention mechanism in the new budget model.</b>
Operating Assessment	Allocated through a <b>historically-calculated operating assessment rate</b> , which is unique to each college and applied to each's tuition and state appropriations.	<b>Eliminate the assessment as a percentage of revenue and allocate costs fairly across campus</b> by bundling like costs into pools and distributing those costs based on the most appropriate allocation factor.
Scholarships & Financial Aid	Allocated as a <b>component of the historically-calculated operating assessments</b> but was not visible as a distinct line item to each college.	This allocated cost will be a <b>distinct cost pool and allocated to tuition generating departments</b> based on a two-year rolling average of undergraduate semester credit hours.





# Cost Allocation Pools

- 1) Scholarships and financial aid: General fund supported undergraduate scholarships and financial aid (allocated to academic colleges and quasi-academic units).
- 2) Infrastructure: Items such as baseline OIT costs as well as custodial and grounds related expenses (allocated to all areas).
- 3) Academic Support: Items in the academic division the specifically support the academic colleges (allocated to academic colleges and quasi-academic units).
- 4) University-Wide Support Services: Remaining administrative costs not covered by another source (allocated to all areas).

Note 1: The Infrastructure, Academic Support, and University-Wide Support cost allocation pool amounts would be distributed based on budgeted FTE of CMU employed positions.

Note 2: Specific fixed costs would be funded by state appropriations and remaining centralized costs that are not in a cost allocation pool will be funded through specific fee revenue.



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# Work Completed

- Aligned sources and uses for specific revenue streams.
- Classified centralized costs into the appropriate cost allocation pools.
- Modeled out cost allocation pools based on different factors.
  - Determined that UG SCH (for scholarships) and budgeted FTE (for other cost pools) would be used in year one.
  - As with RCM and the Interim Measures models, subvention still occurs in the hybrid model.
- Worked with campus stakeholders to modify operational procedures with respect to structural changes in the model.
- Developed a process to account for the hybrid model in our ERP system.



# What Will Look Different in SAP?

- Colleges, Service Centers, Auxiliary Units, and Subsidized Auxiliary Units will have transfers out for cost pool allocations (monthly).
  - The allocated/distributed costs will be covered by revenue sources such as tuition revenue or state appropriations (subvention instrument). Cost centers may see transfers in to offset the cost allocations.
  - This will provide more granularity in the true cost of operations and allow for broader discussions moving forward.
- Certain items that were previously charged for under the auspices of a phone charge, will now be included in the infrastructure charge. Most monthly telephone bills will go down.
  - The OIT fee has been eliminated.
  - Primary telephone devices for each position are covered through the infrastructure cost allocation.
  - Secondary devices and add-on services will still be charged based on consumption.
    - Review your bills and determine if specific secondary devices/extra items are still needed.
      - Example: Jabber (additional cost) vs leveraging Microsoft Teams (included in Microsoft user licenses).
  - Please have patience with university staff as we work through this process ([telecom@cmich.edu](mailto:telecom@cmich.edu)).



# Summer/Fall 2023

- CMU transitioned into Phase I of the model with the rollout of the FY 23-24 operating budget.
  - Iterative changes will be made to adapt to strategic initiatives and improve the overall model.
- An informational video will be released over the next month.
- Many policies have been developed and are in the review stage.
  - Policies will be shared more broadly in September as part of the overall communication plan.
- Information sessions will be held in the summer and fall.
- Phase II discussions will begin in September and the recommendations will be implemented during the rollout of the FY 24-25 operating budget.
- We welcome your feedback as we continue to improve the model.



# RE-IMAGINING THE CMU BUDGET MODEL



## Questions/Comments

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