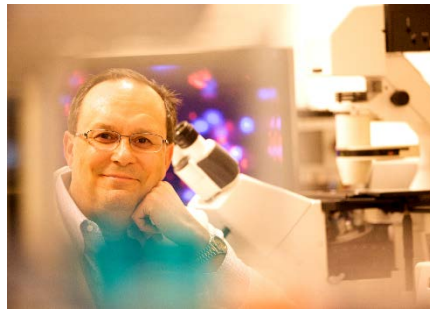




Path to Transformation Budget Redesign Process

June 2015

Vice Chancellor Planning & Budget Maria Anguiano



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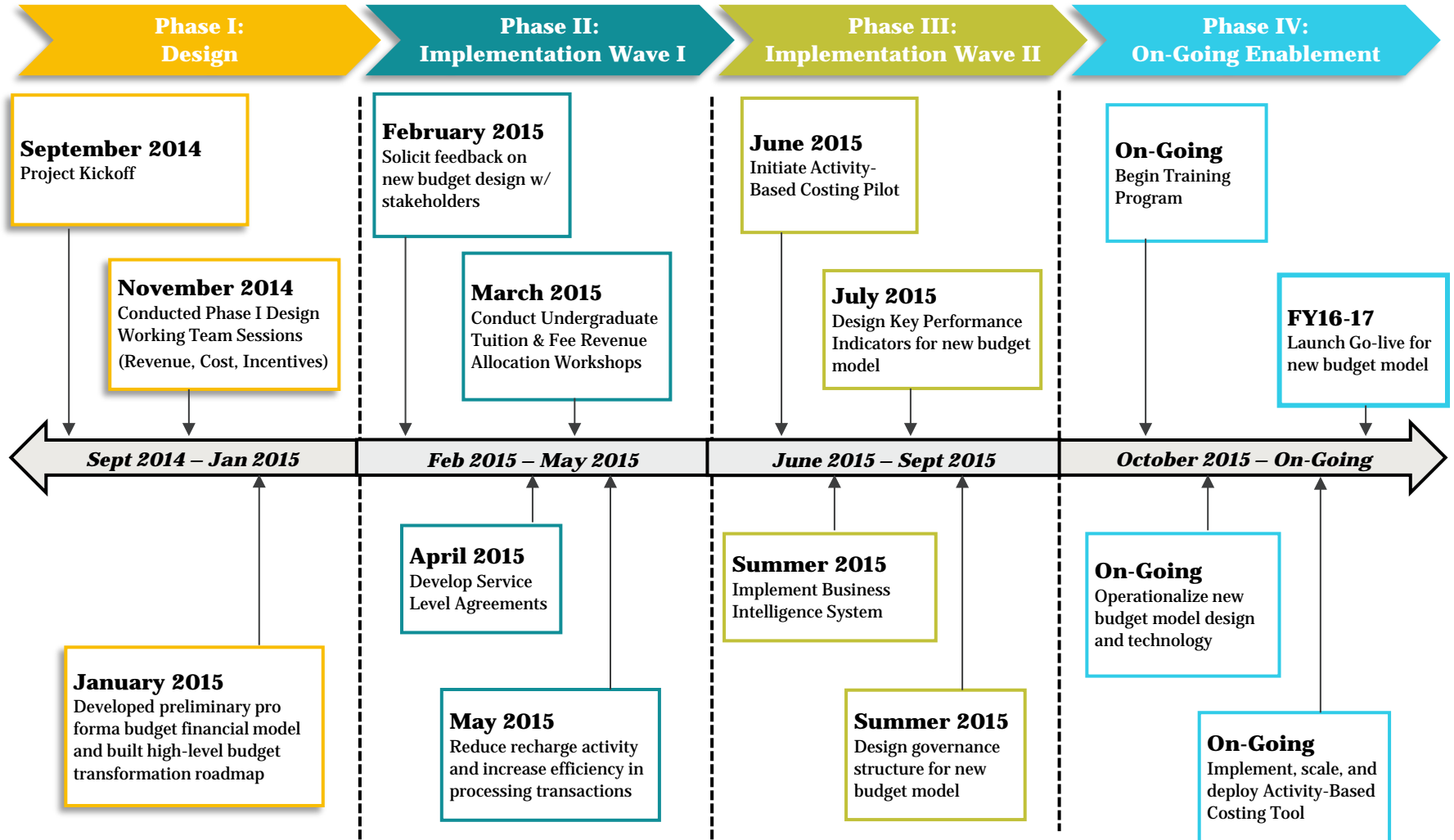
Budget Process Redesign Project Overview

UCR is migrating to a more performance and incentive-based budget model in order to align resource allocations with our strategic goals and drive transformation

What did we do?

- ✓ Assessed and evaluated our current resource allocation process;
- ✓ Reviewed national leading practices for resource allocation in higher education;
- ✓ Created a pro-forma budget model
- ✓ Developed a plan to implement an Incentive-Based Resource Allocation and Budget Model

Budget project to be completed by end of FY15-16

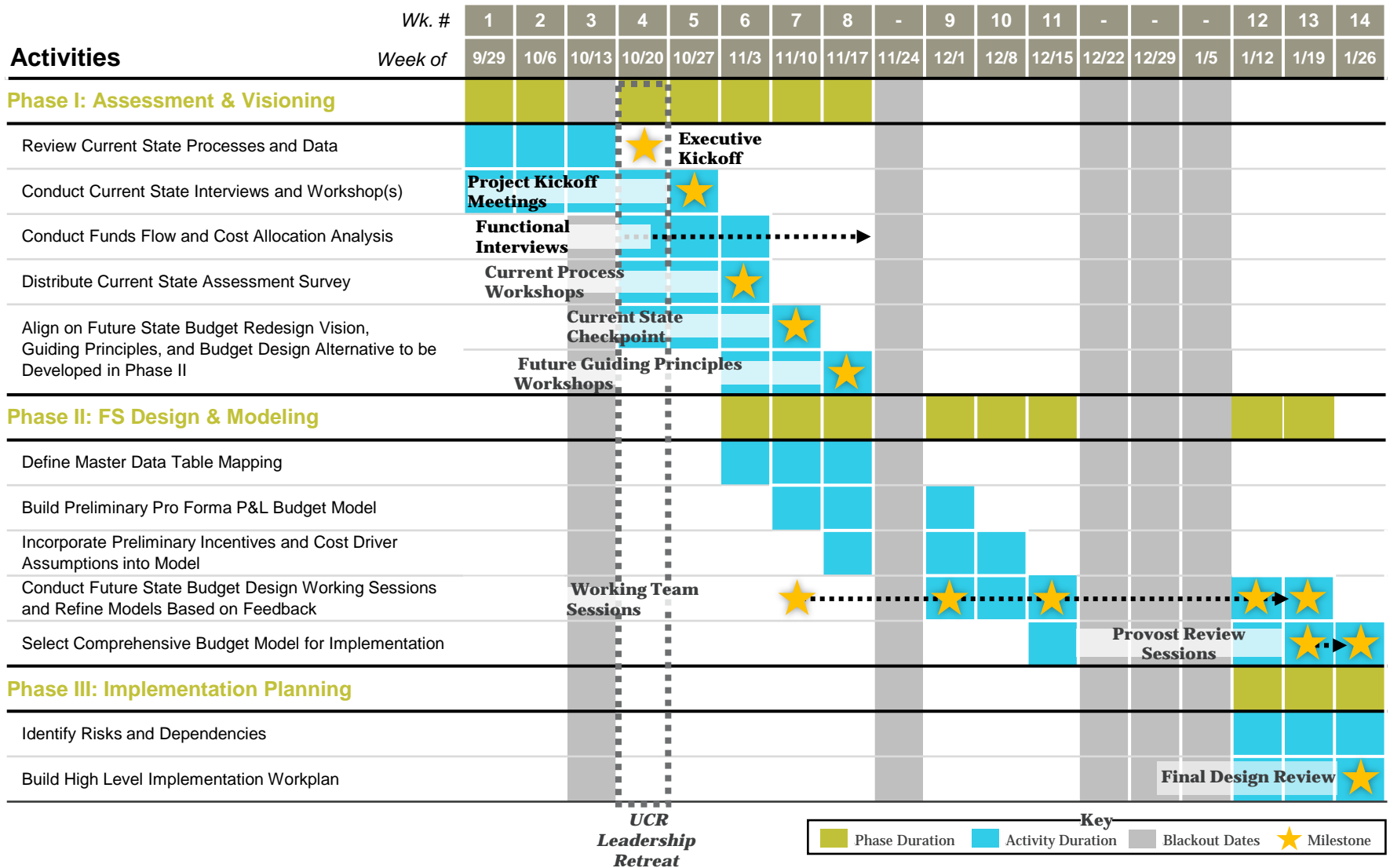


We engaged cross-functional groups of stakeholders to take an inclusive and collaborative approach

#	Key Meetings	Stakeholder Groups	
Phase I: Design	Current Process Assessment Interviews	<ul style="list-style-type: none"> • <i>Deans</i> • <i>Department Chairs / Associate Deans</i> • <i>Faculty / Support Staff</i> • <i>Academic Senate - Committee on Planning & Budget</i> 	<ul style="list-style-type: none"> • <i>Vice Chancellors</i> • <i>CFAOs</i> • <i>Financial Planning & Analysis Team</i> • <i>Directors / Associate Directors</i>
	Current Process Workshop	<ul style="list-style-type: none"> • <i>Deans</i> • <i>Department Chairs / Associate Deans</i> • <i>Faculty / Support Staff</i> • <i>Academic Senate - Committee on Planning & Budget</i> 	<ul style="list-style-type: none"> • <i>Vice Chancellors</i> • <i>CFAOs</i> • <i>Financial Planning & Analysis Team</i> • <i>Directors / Associate Directors</i>
	Working Team Sessions	<ul style="list-style-type: none"> • <i>RABD Phase I Design Working Team</i> 	
	Vision & Guiding Principles Workshop	<ul style="list-style-type: none"> • <i>RABD Phase I Design Working Team</i> 	
Phase II: Implementation	Feedback Meetings	<ul style="list-style-type: none"> • <i>Deans</i> • <i>Department Chairs / Associate Deans</i> • <i>Academic Senate - Committee on Planning & Budget</i> 	<ul style="list-style-type: none"> • <i>Vice Chancellors</i> • <i>CFAOs</i> • <i>Financial Planning & Analysis Team</i>
	Project Update Session	<ul style="list-style-type: none"> • <i>Deans</i> • <i>Department Chairs / Associate Deans</i> • <i>Faculty / Support Staff</i> • <i>Academic Senate - Committee on Planning & Budget</i> 	<ul style="list-style-type: none"> • <i>Vice Chancellors</i> • <i>Directors / Associate Directors</i> • <i>CFAOs</i> • <i>Financial Planning & Analysis Team</i>
	Service Level Agreement Development	<ul style="list-style-type: none"> • <i>Directors / Associate Directors</i> • <i>CFAOs</i> 	<ul style="list-style-type: none"> • <i>Financial Planning & Analysis Team</i> • <i>Service Level Providers / Consumers</i>

Phase I: Designing the New Budget Process

Interviews, research, working and review sessions



UCR Leadership Retreat

Key

- Phase Duration
- Activity Duration
- Blackout Dates
- Milestone

Engaged Steering Committee on Vision & Principles

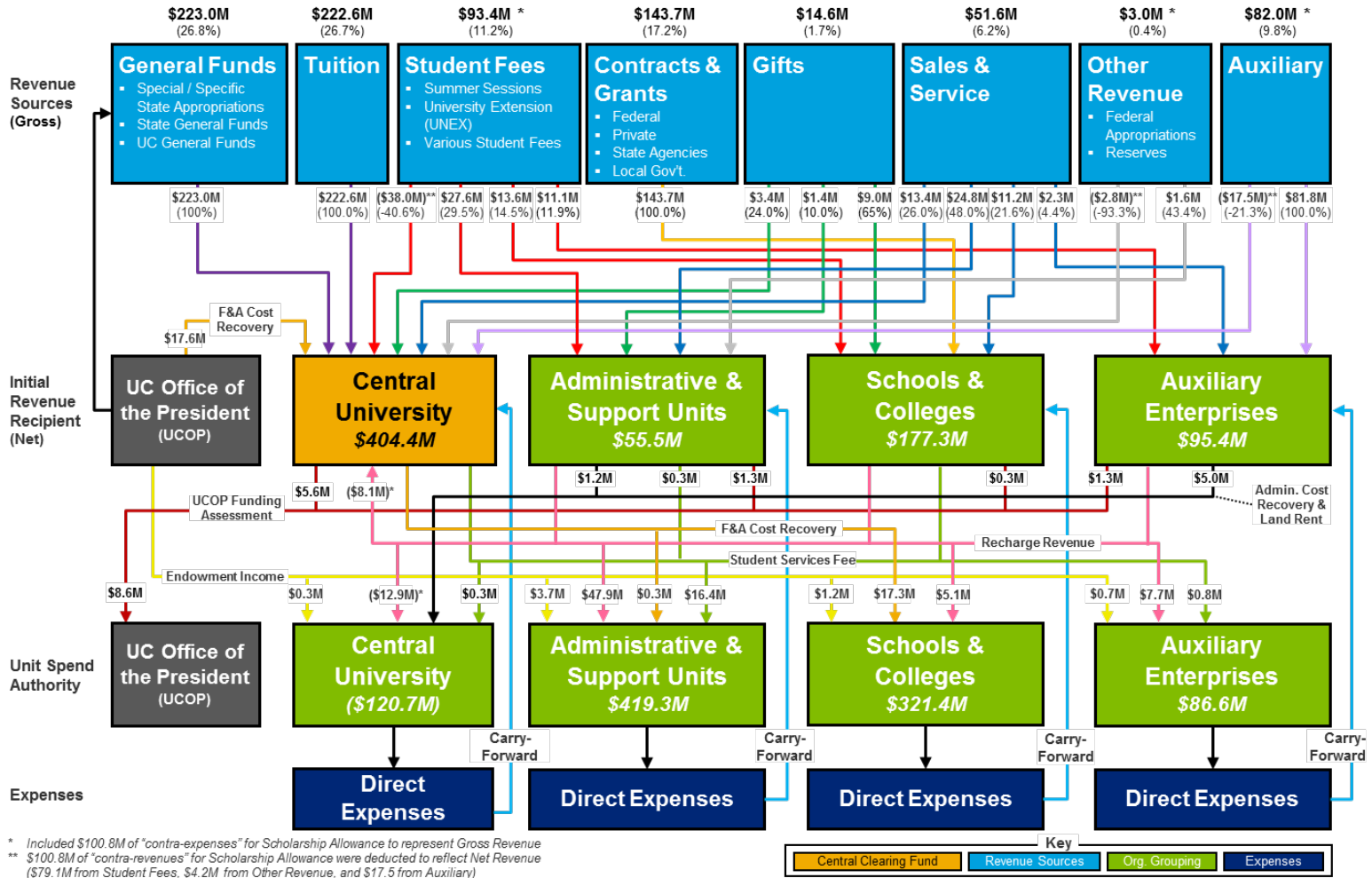
Budget Design Vision Statement

*“We aspire to be a model of higher education in the 21st century with a **transparent resource allocation and budget process which incentivizes Academic Excellence, Access, Diversity, and Engagement while maximizing resource creation and value, enables innovation, and results in high student success.**”*

Budget Design Guiding Principles

- **Transparent**
Deploy a resource allocation model that is easy to understand and accessible to the institution.
- **Strategic**
Align decision making with the institution’s strategic goals and provide incentives for optimizing both revenue growth and cost reduction.
- **Collaborative**
Develop a culture of inclusiveness by incorporating input from stakeholders throughout the University in making key budget design decisions.
- **Aligned**
Promote the alignment of responsibility with accountability both locally and across the organization.
- **Logical**
Use meaningful and fair key performance indicators (KPIs) to track actual progress against planned performance over a specified time.
- **Actionable**
Focus on developing a budget model that is realistic to implement as well one that facilitates benchmarking.
- **Incentivized**
Incorporate incentives which support creative academic entrepreneurial activity.
- **Risk-Tolerant**
Enable budget stakeholders to take calculated risks and be rewarded for qualifiable or quantifiable returns

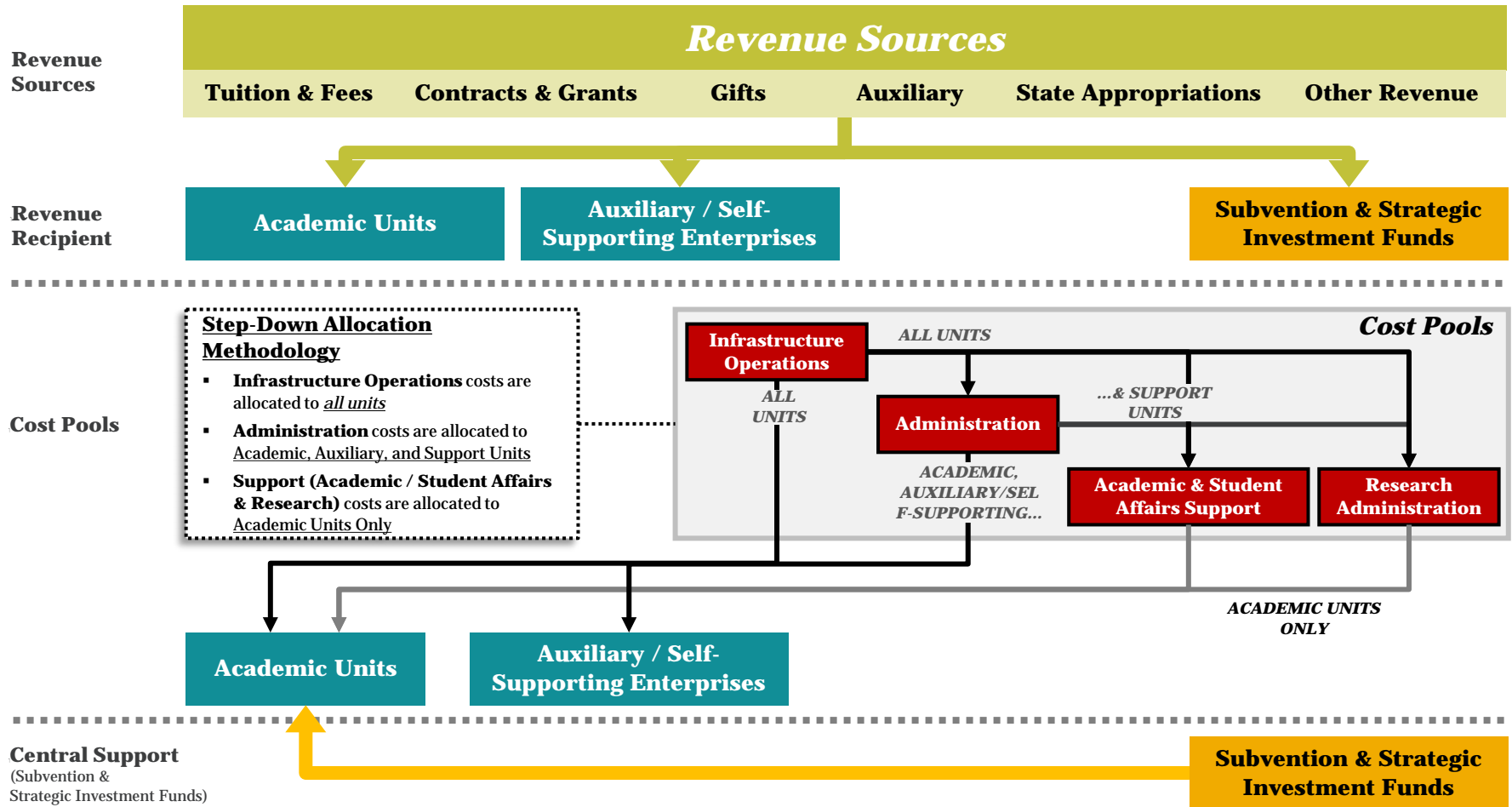
To no surprise, the Current Funds Flow required a “secret decoder ring” to understand



When faculty & staff were asked to describe what came to mind for a future budget process...



Streamlined approach resulting in a clearer and more transparent view into the institution's resource uses



Linking Guiding Principles to Design

PRINCIPLE

DESIGN

1 **Transparent**

Ability for campus to understand flows of revenue and use of resources

2 **Incentivized**

Tuition will be distributed based on performance (student credit hours, majors, graduation rate)

3 **Strategic**

Create Strategic Investment Fund

4 **Risk Tolerant**

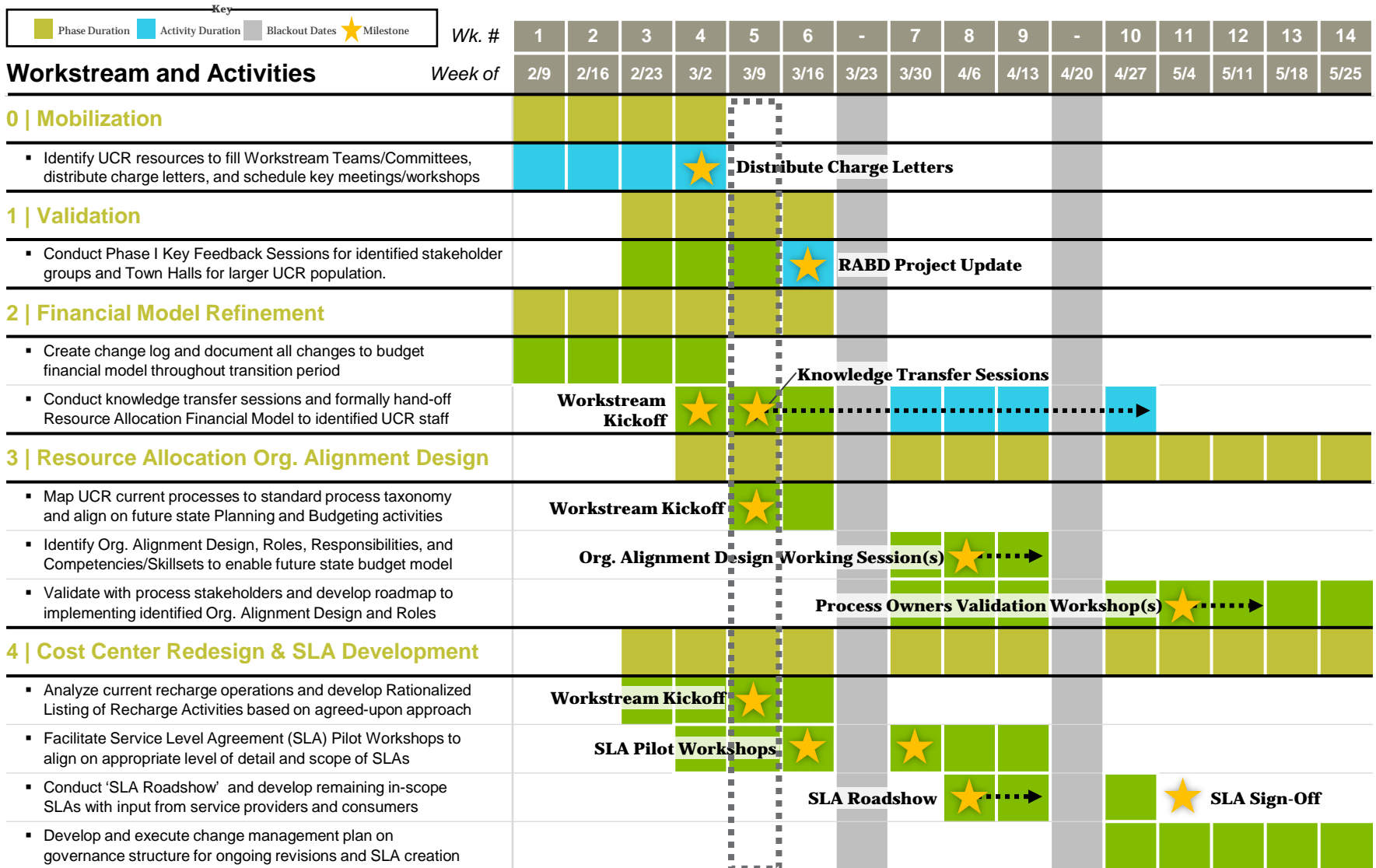
Reward entrepreneurial behavior by department/unit (e.g., expanding masters degrees)

5 **Logical**

Costs decentralized to benefiting units (rent charge and utility charge)

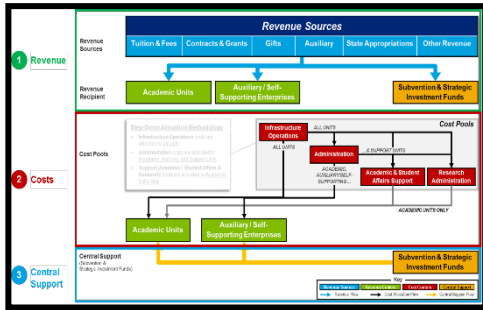
Phase II: Finalize Design and New Processes

Workstreams, workshops, and feedback sessions



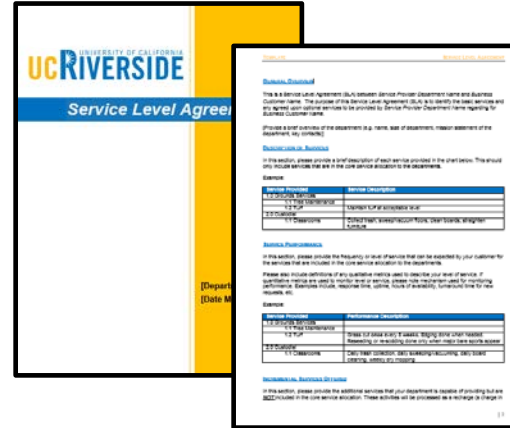
Developed capabilities to operationalize budget

Feedback Sessions



Future Resource Allocation Model Design Overview Discussion

Service Level Agreement Development



Transparent Contract Defining Service Provided and Cost of Service

Resource Allocation Role Alignment Design



Defining of Roles and Capabilities to Operationalize New Budget Model




Budget Financial Model Knowledge Transfer

Knowledge Transfer to Understand New World Budget Terminology and Process



Next Steps

Start with hold-harmless period in FY15-16

		Transformation Path	Current State	Hold Harmless Period	Redesign Go-Live
#	Component	FY14-15	FY15-16	FY16-17	
Budget Redesign	Transformation Milestone	<i>Redesign Year</i>	<i>Implementation Year</i>	<i>Go-Live Year</i>	
	Budget Accountability	<i>Central</i>	<i>Central</i>	<i>Unit</i>	
	Budget Process	<i>Incremental Funding</i>	<i>Incremental Funding</i>	<i>Margin Management</i>	
Allocation Method	Revenue	<i>N/A</i>	<i>Parallel Path FY14-15 & FY16-17 Methods</i>	<i>Incentive-Based Budget Call</i>	
	Expenditures	<i>Direct Expenditures Only</i>	<i>Parallel Path FY14-15 & FY16-17 Methods</i>	<i>Fully Burdened Budget Call</i>	
	Central Funds	<i>Chancellors Reserve</i>	<i>Parallel Path FY14-15 & FY16-17 Methods</i>	<i>Subvention & SIF Budget Call</i>	
Systems	Budgeting & Planning				
	Reporting	