University of Delaware

Faculty Senate

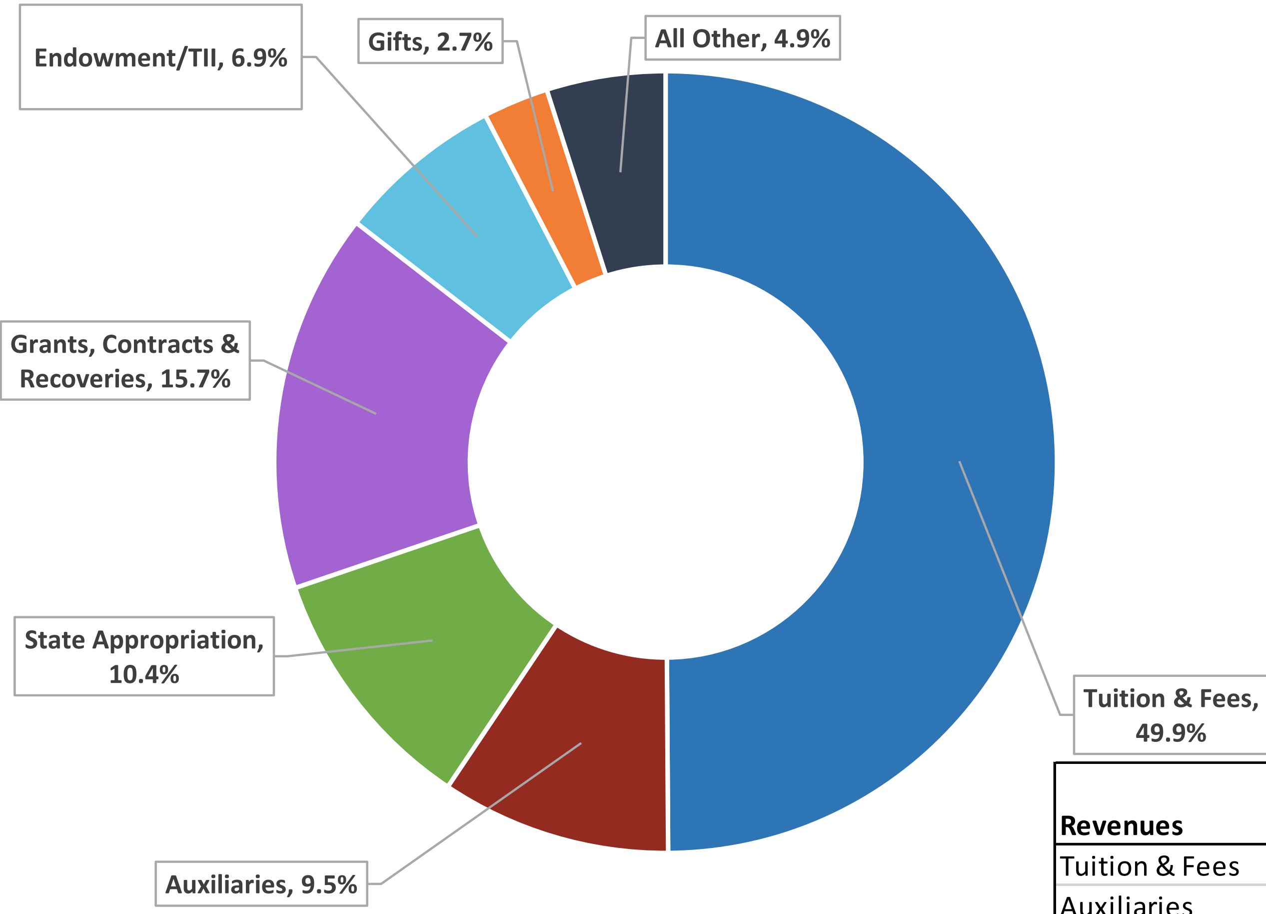
November 2, 2015

Facts and Figures

- 17,458 full-time undergraduate students, including 764 in the AA program; 764 part-time
- Full-time population is 39% Delaware residents and 61% nonresidents
- 3,729 graduate students (2,922 full-time and 807 part-time)
- 729 Professional and Continuing Studies students
- Total Student Population of 22,680
- 139 Bachelor's,126 Master's, and 61 Doctoral programs
- 4,037 full-time and 231 part-time employees:
  - 1,252 faculty
  - 3,016 professional and other staff positions
- $1.1 billion operating budget
- $1.5 billion endowment investments

UNIVERSITY OF DELAWARE
BUDGET FY 2016

Budget FY 2016 Revenues



Revenues	Amount $ millions	% of Budget
Tuition & Fees	556	49.9%
Auxiliaries	106	9.5%
State Appropriation	116	10.4%
Grants, Contracts & Recoveries	175	15.7%
Endowment/TII	77	6.9%
Gifts	30	2.7%
All Other	55	4.9%
Total Revenues	**1,115**	**100.0%**

Tuition and Fees

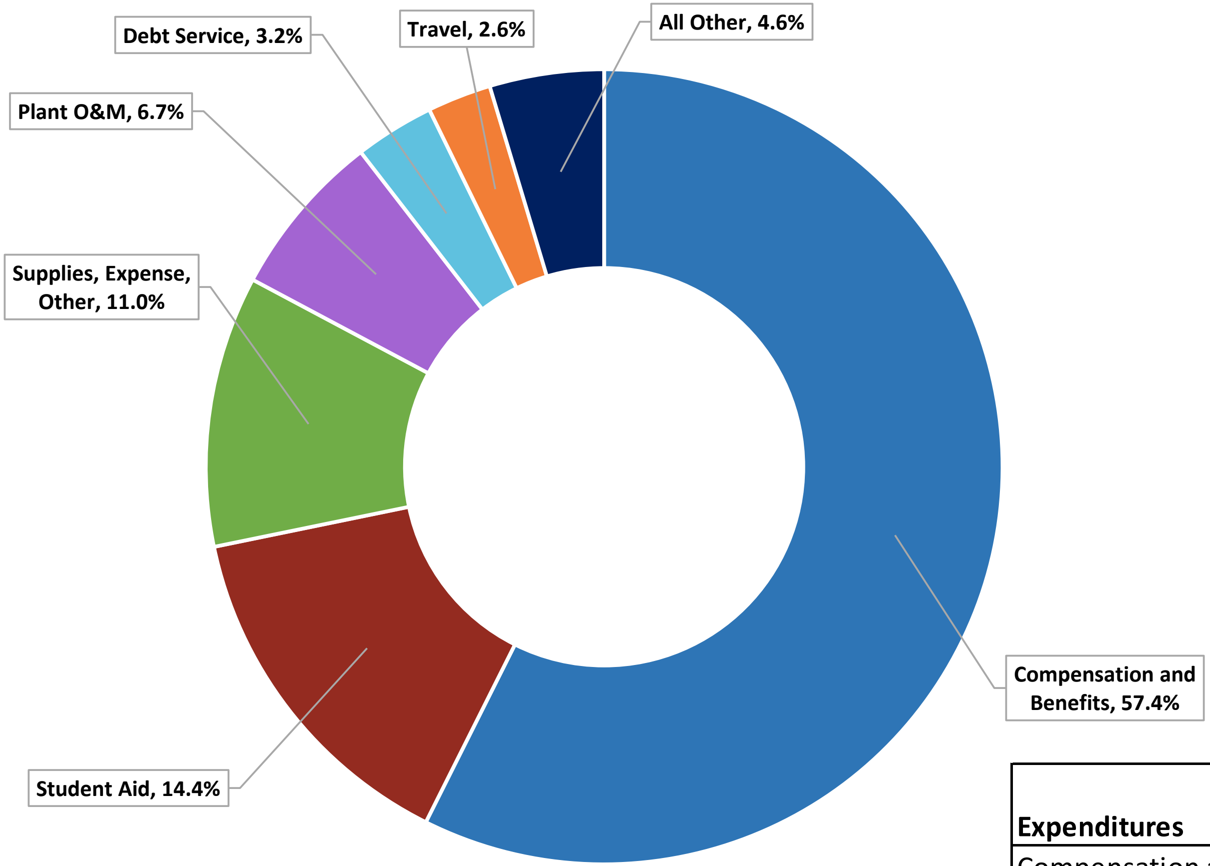
Resident

Institution	Actual FY15	Actual FY16	% Growth
University of Pittsburgh	17,772	18,192	2.36%
Penn State University	17,502	17,964	2.64%
Unviersity of New Hampshire	16,552	16,986	2.62%
University of Vermont	16,226	16,738	3.16%
College of New Jersey	15,024	15,446	2.81%
Rutgers University	13,813	14,743	6.73%
University of Virginia	13,208	14,476	9.60%
University of Massachusetts	13,258	14,171	6.89%
University of Connecticut	12,700	13,366	5.24%
University of Delaware	**12,342**	**12,520**	**1.44%**
University of Maryland	9,428	10,002	6.09%
Average (Excl. UD)	**14,548**	**15,208**	**4.81%**

Nonresident

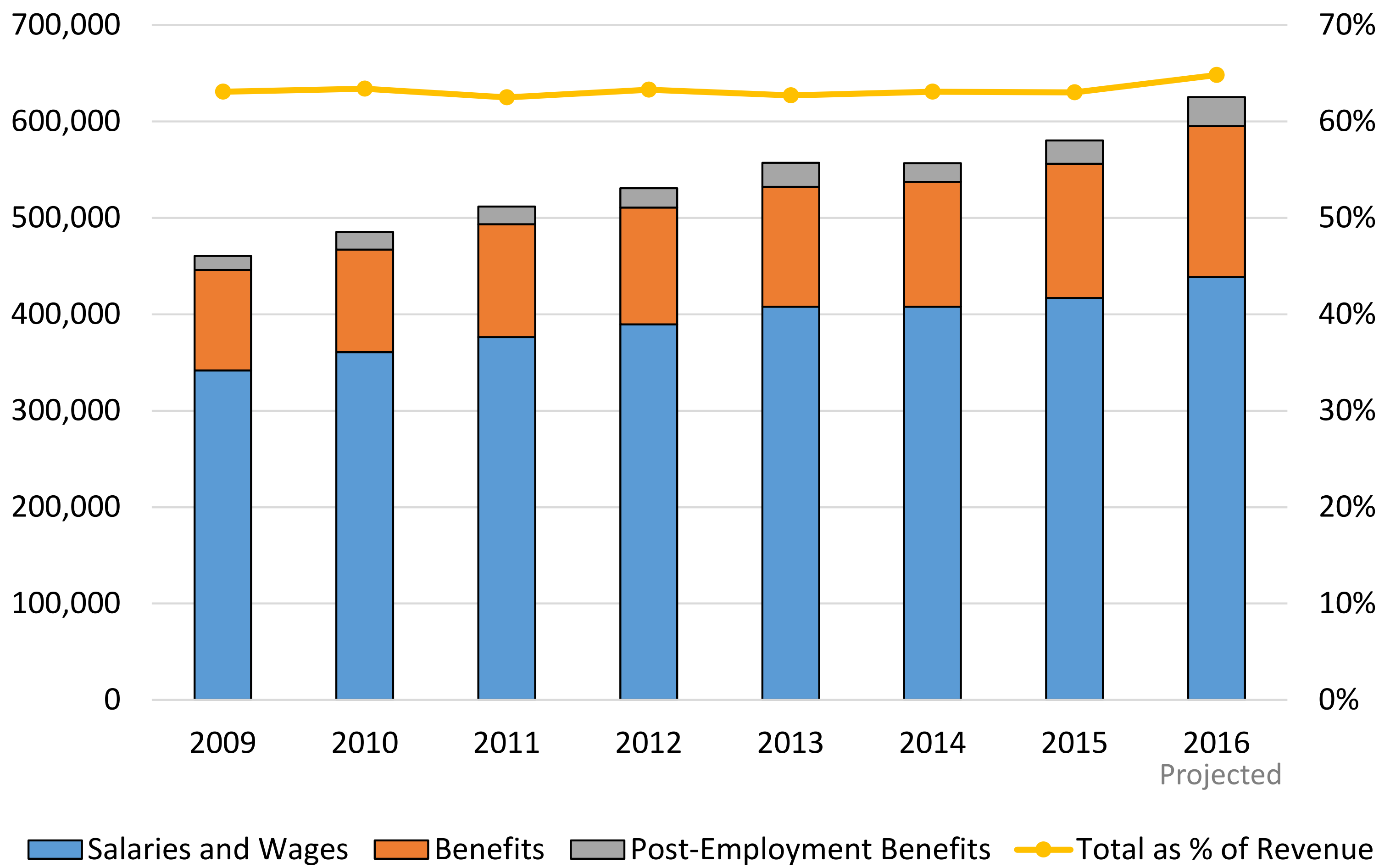
Institution	Actual FY15	Actual FY16	% Growth
University of Virginia	42,402	43,772	3.23%
University of Vermont	37,874	39,130	3.32%
University of Connecticut	32,880	34,908	6.17%
University of Delaware	**30,692**	**31,420**	**2.37%**
Penn State University	30,452	31,346	2.94%
University of Maryland	29,721	31,150	4.81%
University of Massachusetts	28,813	30,504	5.87%
University of New Hampshire	29,532	30,256	2.45%
Rutgers University	28,591	30,132	5.39%
University of Pittsburgh	28,168	28,958	2.80%
College of New Jersey	25,637	26,378	2.89%
Average (Excl. UD)	**31,407**	**32,653**	**3.99%**

Budget FY 2016 Expenditures

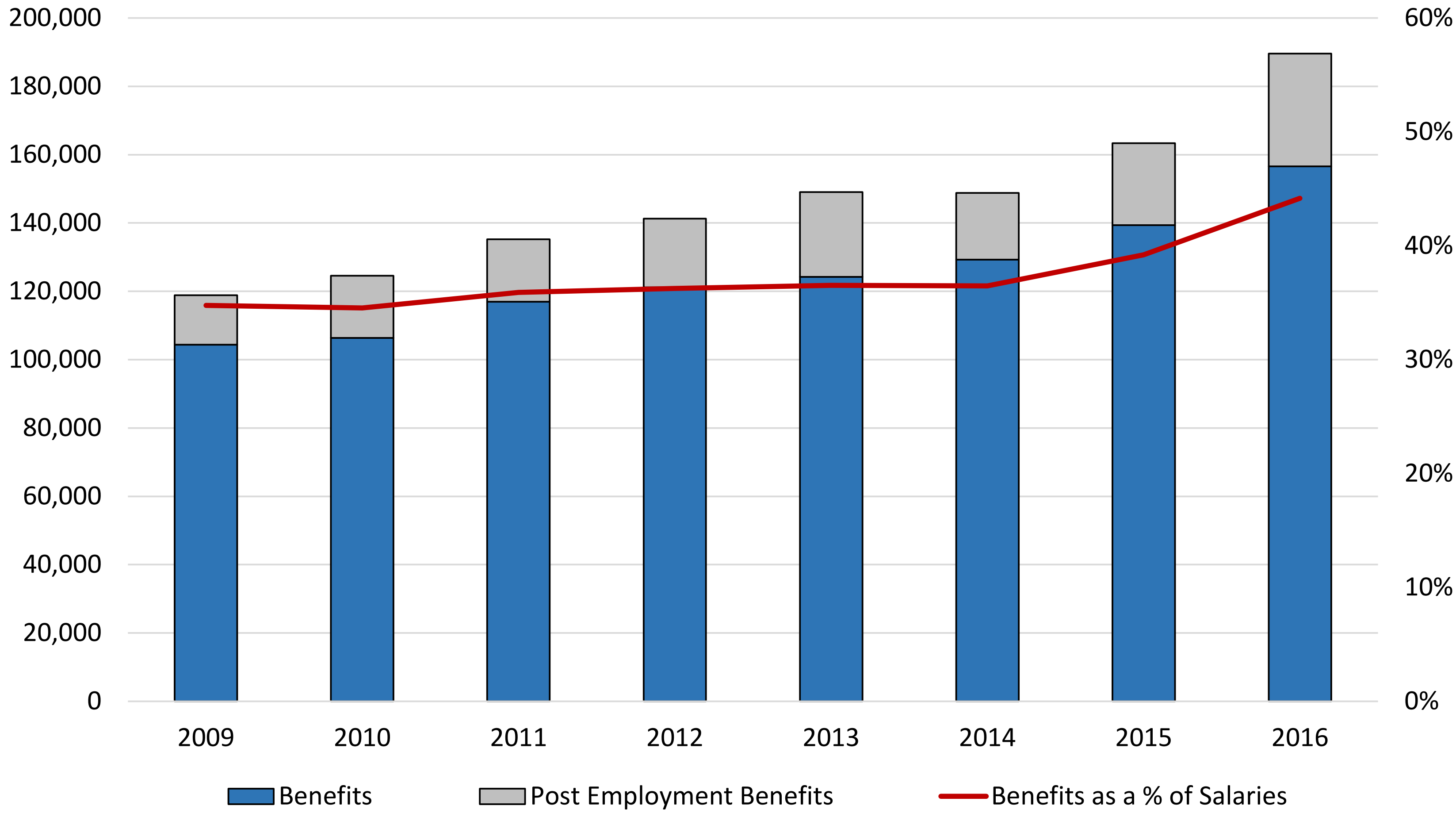


Expenditures	Amount $ millions	% of Budget
Compensation and Benefits	595	57.4%
Student Aid	149	14.4%
Supplies, Expense, Other	114	11.0%
Plant O&M	70	6.7%
Debt Service	34	3.2%
Travel	27	2.6%
All Other	48	4.6%
Total Expenditures	**1,037**	**100.0%**

Salary and Benefits ($000s)

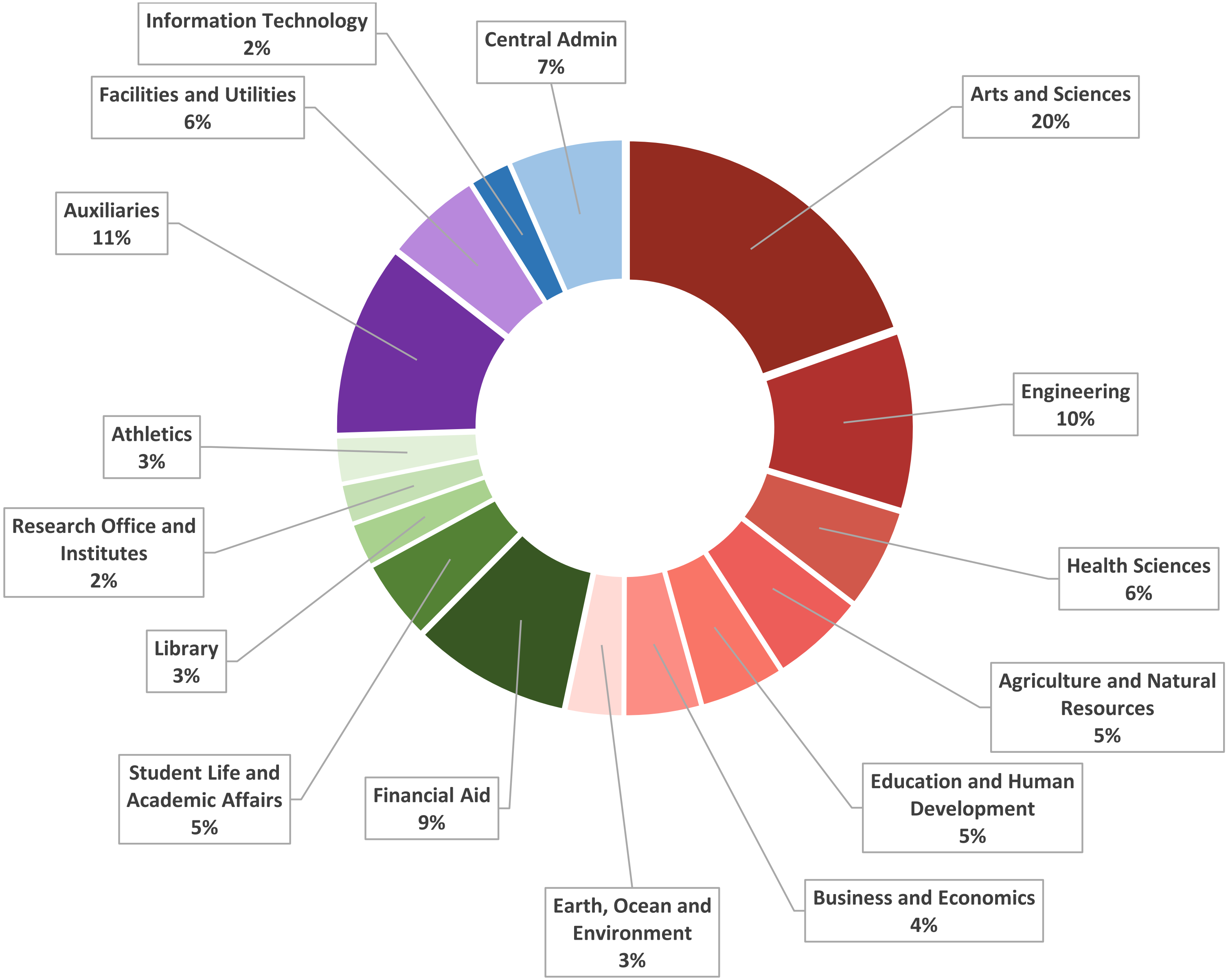


Blended* Benefits Costs ($000s)



*Blended benefit costs include faculty, professional and staff

Budget FY 2016 Expenditures by College and Unit



Central Administration includes Capital and Executive Strategic Initiative funds, Development, Finance, Communications and Public Affairs, as well as various small units.

BUDGETING @
THE UNIVERSITY OF DELAWARE

FISCAL YEAR 2018

What is RCM?

- Responsibility Centered Management (also known as Responsibility Based Budgeting) is a decentralized model of financial management that attempts to couple academic authority to financial responsibility. (Scarborough, Scott. “The Case for Decentralized Financial Management”, *NACUBO,* April 2009)

- Financial management philosophy:
  - Decentralize decision-making to the college level
  - Align authority, responsibility and accountability for revenues and expenditures
  - Incent units to maximize revenues and operate efficiently

- Budget model supports priorities, does not drive them.

Benefits of RCM

UD's leadership reaffirms that revenue-incented decision-making by academic leaders has much greater potential to move the University forward than traditional budget models.

- Rewards sound management.
- Empowers decision-makers in ways traditional expense-oriented, centralized budgeting cannot.
- Contributes to a higher quality, more competitive and more prominent University of Delaware.

Timeline

- FY 2010 - Responsibility Based Budgeting is implemented at the University of Delaware (later called Revenue Based Budgeting-RBB).

- July 2013 – At the request of the incoming Provost, Deans draft a whitepaper that explains how RBB was implemented and identifies various issues with the implementation. It is requested that a more reflective and systematic look be given to the model.

- October 2013 - The Provost charges a faculty-led task force consisting of faculty and administrators, with representatives from each of the seven colleges, to review the current RBB model.

- January 2014 - An external committee of Responsibility Centered Management experts is engaged, visits campus and produces a report providing recommendations to improve RBB.

- April 2014 - The internal task force presents its final report to the Provost.

- Fall 2014 - Fall 2015 - The Deans, together with the Provost and Budget Office, operationalize these suggestions.

Key Principles and Recommendations

- Keep the model simple, predictable and transparent; develop robust engagement processes for the entire budget process.
- Resource and cost allocations should be driven by core academic priorities including the pursuit of academic excellence and research prominence.
- Revenue flows and cross-college subsidies should be transparent to encourage trust and collegiality.
- Assign revenues and costs to units in a fair and predictable manner.
- Incentivize all units to increase revenues and reduce costs while holding excellence paramount.
- Encourage and reward innovation and efficiency.
- Provide a sufficient pool of resources centrally to support University-wide strategic initiatives.
- Phase in any changes to the budget model to minimize major disruptions.

Current Status

- Together with the Provost, Deans have reviewed a variety of allocation methods for both revenues and expenses:

  - Allocation methodologies were developed for undergraduate tuition and the unrestricted state appropriation. All other revenues are recognized by the college that generates them.

  - Central expenses are being allocated in the following categories:
    - Financial Aid
    - Utilities, Facilities & Capital Maintenance
    - All other central expenses

  - “One University Support” will be distributed by the Provost to support mission critical activities and strategic initiatives.

  - The new budget model was finalized and will be run as a parallel shadow system for the remainder of FY 2016 and FY 2017 to identify any unintended consequences. It will be fully implemented in FY 2018.

Accomplishments of the New Model

- Simplicity, transparency and predictability.
- Each college is presented in an *All Funds* format.
- Clarity in reporting, enabling the calculation of net operating margins.
- Incents revenue growth.
- Allocates each resource separately; associating revenues with expenses that generate them.
- Utilizes a tax to foster simplicity for recovery of most central expenditures.
- Utilities, Facilities and Capital Maintenance are now allocated to all units, including central units.
- The timing allows simulation of the results in FY 2016 and FY 2017.

The New Model- Revenue Allocation

- Gross undergraduate tuition and fees are allocated to colleges based on 75% ICOR; 25% Home School
- The unrestricted State Allocation is allocated to colleges based on total college expenditures, net of graduate tuition expense, discounting subcontracts to 10%
- Centrally generated revenue will not be allocated to the colleges, but held to offset central expenditures
- All other revenue sources within the college are not impacted by this new model

The New Model- Expense Allocation

- Utilities (lab space is weighted an additional 35%), Facilities and Capital Maintenance are allocated based on square footage occupied. All units are assigned square footage

- Financial Aid expense (undergraduate) is allocated to colleges based on 75% ICOR; 25% Home School

- All other General Services (net of central resources) will be funded via a tax on an adjusted expenditure base. The following are excluded from the base:
  - State restricted spending
  - Federal appropriation spending
  - Contracts and grant spending
  - Graduate tuition expense

The New Model-One University Support

- All parts of the University benefit from and rely upon our strength as a University with many and varied fields. **One University Support** recognizes that different programs have differential costs of delivery and that infrastructure needs vary across programs. Our success as a whole is dependent upon appropriate support across colleges.
  - FY 2018 – FY 2020 One University Support totals $37,350,000 that will be redistributed among colleges

Any Questions