Transformative Budget Project
Overview
Transformative Budget Project Overview

BACKGROUND & CONTEXT
Activities To Date

Phase I Midpoint:
- Stakeholder interviews, current budget SWOT, selection of guiding principles

Phase II Deliverables:
- Review of revenue and cost allocation scenarios with Steering Committee

Ongoing support for unit-level budget reviews and recommendations for academic unit revenue-generating opportunities

Delivered updated FY12 model including Budget and Fiscal Planning recommendations

Due Diligence & Visioning Kick-Off (Phase I)

Phase II Midpoint:
- Model structure orientation with Steering Committee

Support during model review process by Budget and Fiscal Planning

Unit-Level Budget Review Kick-Off: Development of unit-level financial and performance metrics

Completed unit-level budget review preparations, supported development of institutional-level executive summary

Phase I Deliverables: Funds flow maps, alignment analysis of current model with guiding principles, recommendation to proceed with development of a “Purdue” model

Phase II Deliverables: Completed FY12 model, orientation and overview with Budget and Fiscal Planning
Overall, our assessment indicated a clear mandate to move away from the status quo, though equally clear was the call to avoid a traditionally-implemented RCM model.

<table>
<thead>
<tr>
<th>Option #1: Retain Current Model (Status Quo)</th>
<th>Option #2: Tweak Current Model (Selected Enhancements)</th>
<th>Option #3: “Purdue Model” to Inform Central Decisions</th>
<th>Option #4: “Purdue Model” to Reward Activities</th>
<th>Option #5: Traditional Incentive Based Model</th>
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| • While some historical strengths were noted, a clear call emerged to move away from the status quo model | • Keep incremental model  
• Implement data dashboard to help make and communicate decisions  
• Rebase periodically  
• Implement additional incentives to drive desired behavior | • Supplement current model with a “Purdue Model” that aligns with the principles desired by stakeholders  
• Use model to inform and justify central decisions for the incremental model | • Build a “Purdue Model” that aligns with the principles desired by  
• Transition to Purdue model over the course of 24 to 36 months  
• Use model to promote desired activities | • Stakeholders consistently raised concerns about traditional RCM implementations |
| Not a Viable Option | Viable Option | Viable Option | Recommended Option | Not a Viable Option |

**What is the “Purdue Model”?**

Early discussions indicate that the “Purdue Model” should be a *hybrid resource allocation model*, incorporating *incentives for performance* and accountability through *cost allocation*.

Purdue would need to invest resources and engage the stakeholder community further to *get the model framework right* up front and then *keep it consistent* to promote credibility and predictability.
Purdue’s Budget Transformation Steering Committee developed nine principles to guide the evaluation of Purdue’s model and to inform the testing of the new model.

- The resource allocation model ("the model") should align the allocation of resources with the core mission areas of discovery, learning, and engagement and with institutional core values.
- The model should support strong academic governance coupled with fiscal responsibility.
- The model should allow flexibility for strategic decision making at all levels of the organization.
- The model should promote collaboration across units and build on the strengths of the university.
- The model should enable and reward institutional efficiency and effectiveness.
- The model should responsibly reflect and reward performance.
- The model should ensure the alignment of authority for financial management decisions and responsibility for the outcomes of those decisions.
- All aspects of resource management, planning, and allocation should be inclusive, data-informed, clear, transparent, and widely communicated at all levels of the organization.
- The model should recognize both lagging and leading indicators to provide predictability and to plan for change.
Fall 2013 Budgeting Review

- Incorporate Big Moves
- Assess alternative approaches to optimize resources
- Assess benefits of an alternative budget model
Transformative Budget Project Overview

RECOMMENDATION / PROJECT PLAN
Budget Model Recommendation

Change the current incremental budget model

Performance-based resource allocation model (hybrid model, not full RCM)

Assure transparency, predictability, and accountability

Responsive to a limited number of performance measures

Service level reviews for administrative & support (A&S) functions

Defined with input from stakeholders over the course of the next year

Performance measures developed in a collaborative and inclusive process
Project Components

Allocation Recommendation Methodology

Final Output: Allocation Recommendation

Resource Allocation Tool

Budget System

Assumptions

Allocation Tool Output

Preliminary Data Validation

Data Dissemination to Units

Project Governance

* Boldface denotes component output

QT = Quantitative
QL = Qualitative
B = Both Qualitative and Quantitative
Project Overview

Overall Project
- Project Initiation: Roles Defined
- FY16 Build (Foundational)
- FY17 Build (Steady State)

Allocation Recommendation Methodology
- Project Initiation
- FY16 Design: Components Finalized
- FY16 Budget Review: Meetings, Analysis & Decisions
- FY17 Design: Components Finalized
- FY17 Budget Review: Meetings, Analysis & Decisions

Resource Allocation Tool
- Project Initiation
- Project Planning
- Team Membership
- Steady State: Revenue Assumptions Finalized
- FY17 Expense Assumptions Finalized

Budget System Implementation
- Project Initiation
- Project Planning
- Team Membership
- System Assessment
- System Procurement
- System Design
- System Implementation
- System Training

Operational System Replacement: Included in all phases of project
Scenario Planning: Included in Assessment, Procurement, Design, Implementation and Training where possible
Overall Project Milestones

- May 30: Campuswide Communication
- June 30: Data Distribution Mechanics Finalized and Tested
- July 31: FY13 Data and Analysis Distributed to All Units
- Oct 1 - Nov 28: Budget Review Period with Units
- Dec 1 - Dec 31: President Reviews with Units
- Jan 28: Data Drivers - Revenue Drivers Approved
- Feb 28: FY 2016 Allocation Decisions Finalized
- March 31: Data Drivers - Expense Drivers Approved
- April 30: Incorporate New Data Drivers for Fall 2015 Review (FY14 Data)
- May 30: Define Budget System RFP Requirements
- Sept 30: Budget System RFP Assessment and Selection
- Jan 31: Budget Business Process Improvement Begins
- July 1: Finalize Business Process Improvement
- Begin Budget System Implementation Project
- Oct 1 - Nov 30: Budget Review Period with Units
- June 30: FY14 Data and Analysis Distributed to All Units
- Oct 1 - Nov 30: Budget Review Period with Units
- Jan 28: Revenue Drivers Approved
- March 31: Expense Drivers Approved
- Feb 28: FY 2017 Allocation Decisions Finalized
- April 30: Incorporate New Data Drivers for Fall 2016 Review (FY15 Data)
- March - April: Utilize Budget System for FY 2017 Budget Preparation

Legend:
- Allocation Recommendation Milestone
- Resource Allocation Tool Milestone
- Budget System Implementation Milestone
Teams

**Allocation Recommendation Team**
- **Responsibilities:**
  - Allocation Methodology Recommendation
  - Stakeholder Engagement and Process Management
- **Membership:**
  - Treasurer
  - Provost
  - SRVPBS
  - Asst Provost for Financial Affairs
  - Vice Provost for Faculty Affairs
  - Director of Budget & Fiscal Planning
  - Director of Business Managers
  - Core Project Team Lead
  - Steering Committee Chair

**Resource Allocation Tool Team**
- **Responsibilities:**
  - Population of Resource Allocation Tool – Define Revenue and Expense Allocation Assumptions
- **Membership:**
  - Project Lead
  - Unit Representation (Dean, Assoc Dean, Vice President, or DFA)
  - Provost Representative
  - Auxiliary Representative
  - Comptroller (Costing)
  - Dean of Admissions
  - Sponsored Programs Representative
  - Space Management Representative

**Budget Systems Team**
- **Responsibilities:**
  - Assessment
  - Procurement/Contracting
  - Process Improvement
  - Implementation
  - Training
- **Membership:**
  - Project Lead
  - Consultant/Implementation Partner
  - Budget Fiscal Planning
  - DFA Academic
  - DFA Administrative
  - Provost Representative (Limited - Process Only)
  - OIR Representative (Limited - Process Only)
  - IT Representative(s)
  - Procurement Representative (Limited – Procurement Only)
  - Training and Communication Representative

**Core Project Team**
- **Responsibilities:**
  - Allocation Tool Analysis
  - Provost Load Analysis
  - Carry Forward Analysis
  - Allocation Tool Updates
  - Data Dissemination
- **Membership:**
  - Project Lead
  - Budget Fiscal Planning
  - Comptroller (Costing)
  - DFA Academic
  - DFA Administrative
  - Provost Representative
  - OIR Representative
Recommended Project Governance

Executive Sponsors
(Provost, Treasurer)

Steering Committee
(Provost Representative, Dean Representatives, Department Head Representative, Faculty Representative, Dean of Admissions, SRVPBS Representative, Vice President of Research, Core Team Lead)

Allocation Tool Team
Sponsor: Provost
Lead: Provost Designee

Allocation Recommendation Team
Sponsor: Treasurer
Lead: Treasurer Designee

Budget System Team
Sponsor: SRVPBS
Lead: SRVPBS Designee

Core Team
Sponsor: SRVPBS
Lead: John Higgins
The Budget Steering Committee is advisory to the President on matters relating to West Lafayette financial planning and resource allocation decisions. The focus of the committee is to assure resource allocation alignment with University strategic planning, and estimated operating costs.

- Co-Chairs appointed by the Provost and Treasurer

Responsibilities:
- Approve allocation methodologies recommended by the Budget Allocation Subcommittee.
- Review enrollment projections used for budget modeling
- Review final draft of annual operating allocations
- Review allocation process and procedures
Budget Allocation Process

- Allocation Tool Team provides recommendations of budget allocation drivers
- Approval of allocation drivers by Budget Steering Committee
- Analysis by BF&P provided to Allocation Recommendation Team
- Budget Review sessions with Provost/Treasurer
- Recommendation formulated by Allocation Recommendation Team; Budget Steering Committee develops endorsement/stated opinion.
- Recommendation, Budget Steering Committee opinion presented to President
- President approves changes
Implementation - Change Management

- **Articulate Urgency**
  - Communicate Fiscal Landscape, Strategic Initiatives, Affordability

- **Build Coalitions**
  - Include Deans, Financial Affair Directors, Provost, Vice Presidents

- **Articulate Vision**
  - Utilize Guiding Principles

- **Empower Others**
  - Make improvements in reporting environments, Form appropriate governance structures

- **Plan Short Term Wins**
  - Implement hold harmless phase with reviews, show value of reviews

- **Improvements**
  - Review regular review and feedback to assess academic, fiscal impact, and infrastructural improvements

- **Institutionalize Change**
  - Design templates and standardize processes; assess related skills necessary to assure effectiveness
Perceived Governance Challenges

- Strategic Programmatic Development
  - Alignment of programmatic initiatives with resource planning
  - Concurrent budget planning and efficiency initiatives

- Academic Policy
  - Perverse Incentives for non-mission related curriculum development
  - Budgetary ‘gaming’ (e.g. Assignment of ‘Faculty of Record’ in order to move budget dollars)
  - Budget process inhibitors to interdisciplinary curriculum development
  - Impact on instructional quality
Considerations

• Leadership Transitions
  – Support for methodology critical for success
  – New analytical requests may further exacerbate resource challenges
  – Co-Leadership between Provost / Treasurer ideal

• Aggressive Timelines
  – Hold Harmless Period vital to success
  – Extensive Resource Commitments
  – Data accessibility may not mature in synch with budget initiative