

# Strategic Budgeting Workgroup

April 4, 2007



## Agenda

- Recap goals
- Planned sequence of meetings
- Today's objectives



## Recap: Producing flexibility

- Mandate internal reallocations in units
- Eliminate or reduce programs
- Reduce quality of service or work conditions
- Cost cutting
- Process improvement
- Redirect fund streams
- Hold back some incremental funds
- Tax budgets
- Transfer funds between units

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## Recap: Budget allocation methods

- Leadership discretion
- Across the board increments/decrements
- Responsibility Center Management (RCM)
- Zero-Based Budgeting (ZBB)
- Activity-Based Budgeting (ABB)
- Formula budgeting
- Process budgeting
- Resource realignment/resetting
- Initiative processes

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## Spring Meetings

1. Alignment of decision making and budget authority
2. Future investments – priorities and order
3. Budgeting options
4. Recommendations

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## Objectives

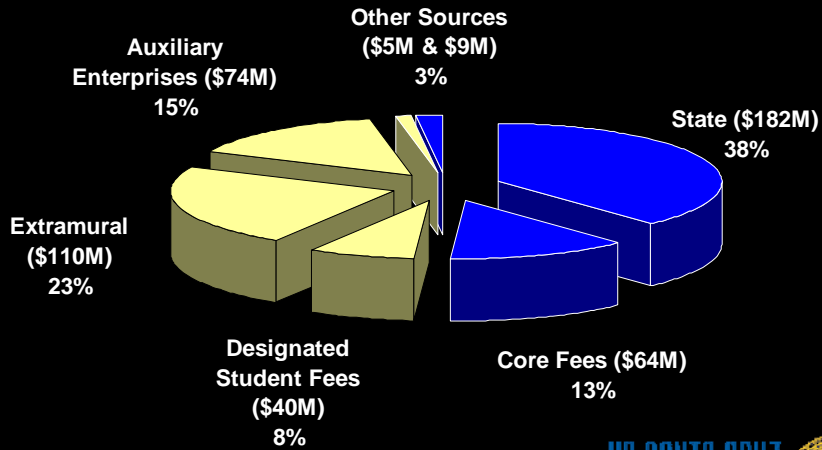
- Understanding current state
  - Where in the organization we make decisions
  - How we align resources and authority
  - Where discretion lies
- Consider future state
  - Decision making
  - Alignment of resources and authority
  - Discretion
  - Policies

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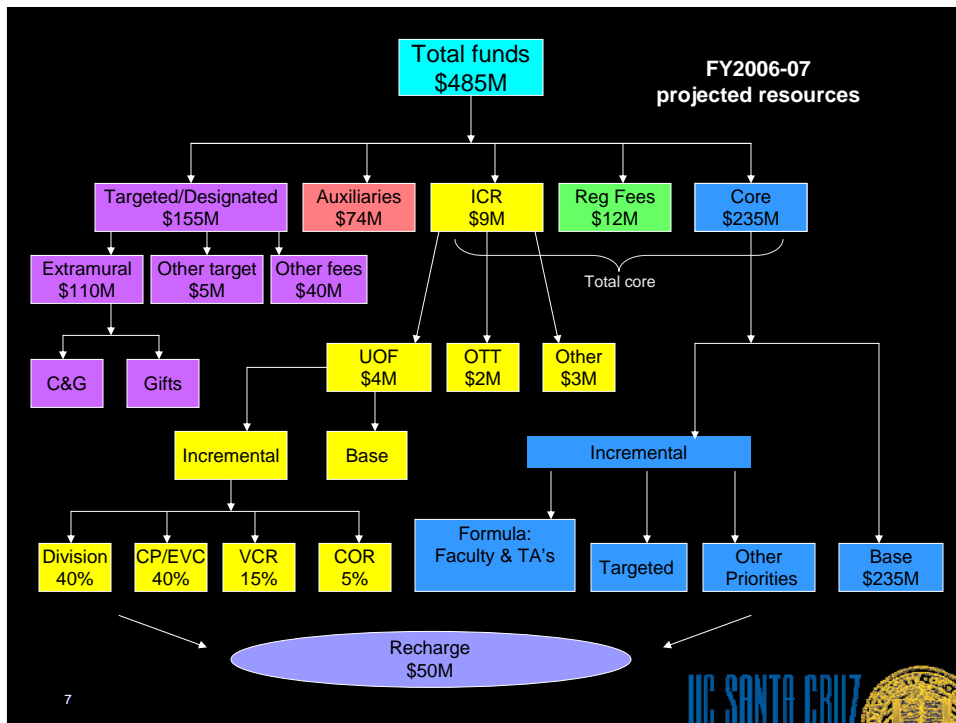


# Core and Other Funds

Core = 53% of total



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## Topics for today

- How decision making and budgetary authority are aligned today
- Level at which decisions are placed
- Consistency of roles
- Required policies and principles

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## Resource Management Landscape

- More complex than centralization versus decentralization
  - Funds
  - Expense types
  - Units
- History of UCSC budget can be viewed as a series of steps to align decision making and budgetary authority away from the center

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## Considerations

- Role of center
- Roles of division and department
- Weight of advisory role
- Impact of formulas
- General principle:
  - Align authority, accountability, and resources

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## Alignment of decisions and budget authority

- Hierarchical levels
  - Center
  - Division
  - Unit
- What decisions reside at each level?
- Mechanisms to ensure decisions are consistent with campus priorities?

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## Aspects of decision making

- Type of decision
  - Allocate resources to units or general purposes
  - Allocate to specific purposes
  - Spending decisions
- Role
  - Identify needs (frames decision)
  - Decide
  - Advise

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## Mapping decision making

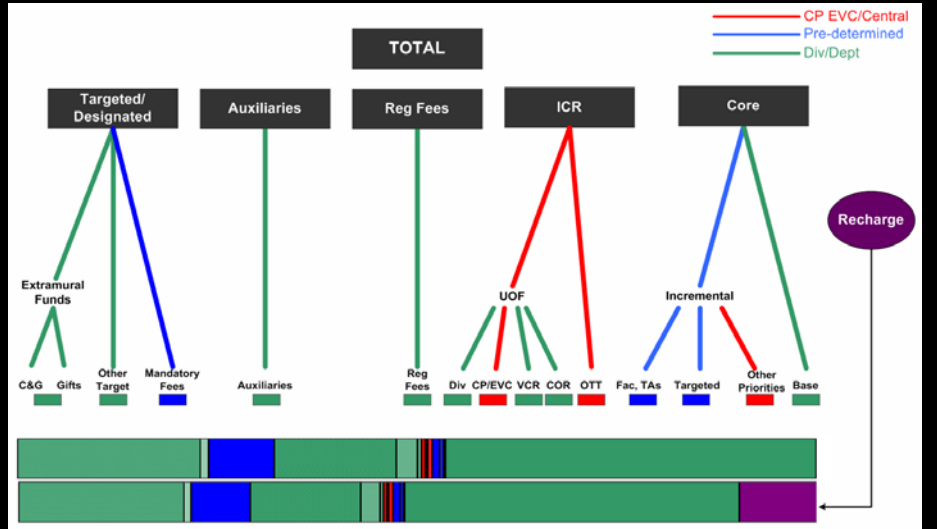
Used several views

1. General split of funds
2. Follow funds
  - Who makes decisions as funds work their way to where they ultimately get spent
  - Relative size of each stream
3. Spending drivers
  - Who makes the decision on spending for costs associated with each driver

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# Decision-making by fund type



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# Responsibility Based on Spending Drivers

## Academic Units

Category	Description	Department	Division	Center
Baseline	Basic I&R programs	■	■	
Formula	Formula-driven increases		■	■
Mandated	Externally driven cost increases, external policy decisions	■	■	■
Campus initiatives	Programs beyond baseline to respond to campus priorities		■	■

## Academic Support Units

Category	Description	Department	Division	Center
Baseline	Basic services and ongoing improvement	■	■	
Mandated	Externally driven cost increases, external policy decisions	■	■	■
Specialized	Responds to needs of particular units	■	■	
Usage driven	Costs directly related to consumption of services	■	■	■
Campus initiatives	Services beyond baseline to respond to campus priorities	■	■	■

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## How do we budget more strategically?

- Give CPEVC new tools?
- Help divisions/units be more strategic?

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## Discussion questions

- What is the appropriate level of flexibility with regard to divisions and departments and their budget base? To what extent can and should divisions shift resources between departments?
- Juggling and interpreting priorities
  - How should units respond to changes in campus priorities and needs?
  - What are responsibilities of units to respond? How to respond to surprises and external mandates?

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## Discussion questions

- How much ambiguity is created by situations in which division is primarily responsible but center sometimes gets involved?
- What is role of CPEVC in ensuring that activities supported by targeted funds align with campus goals and mission?
- How does the campus create accountability for how funds are spent and what results are produced?

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