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

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
Spring Meetings

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

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
Core and Other Funds

Core = 53% of total

- Other Sources ($5M & $9M) 3%
- Designated Student Fees ($40M) 8%
- State ($182M) 38%
- Auxiliary Enterprises ($74M) 15%
- Extramural ($110M) 23%
- Core Fees ($64M) 13%

Total funds $485M

Targeted/Designated $155M
Auxiliaries $74M
ICR $9M
Reg Fees $12M
Core $235M
Extramural $110M
Other target $5M
Other fees $40M
C&G $4M
OTT $2M
Other $3M

Incremental
Base
Total core
Targeted
Other
Priorities
Division 40%
CP/EVC 40%
VCR 15%
COR 5%
Formula: Faculty & TA's
Recharge $50M

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April 4, 2007
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

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
Considerations

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

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?
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

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
Decision-making by fund type

Responsibility Based on Spending Drivers

### Academic Units

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Department</th>
<th>Division</th>
<th>Center</th>
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</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>Basic I&amp;R programs</td>
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<tr>
<td>Formula</td>
<td>Formula-driven increases</td>
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<tr>
<td>Mandated</td>
<td>Externally driven cost increases, external policy decisions</td>
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<tr>
<td>Campus initiatives</td>
<td>Programs beyond baseline to respond to campus priorities</td>
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### Academic Support Units

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<thead>
<tr>
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<th>Description</th>
<th>Department</th>
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<th>Center</th>
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</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>Basic services and ongoing improvement</td>
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<td></td>
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<tr>
<td>Mandated</td>
<td>Externally driven cost increases, external policy decisions</td>
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<tr>
<td>Specialized</td>
<td>Responds to needs of particular units</td>
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<tr>
<td>Usage driven</td>
<td>Costs directly related to consumption of services</td>
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<tr>
<td>Campus initiatives</td>
<td>Services beyond baseline to respond to campus priorities</td>
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How do we budget more strategically?

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

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?
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?