THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

Resource Management, Planning, and Allocation

Project Overview

May 22, 2017

HuronEducation

Project Objectives

The University of North Carolina at Chapel Hill desires to improve its process for resource management, planning, and allocation (i.e. "budgeting").

- Evaluate the effectiveness and efficiency of the University's current approach to budgeting

- Determine what changes to the current approach could best enable Carolina to advance its mission and strategic priorities

- Guide the University through a transition to a new budgeting process that reflects the unique strengths, culture, and values of the institution

- Create administrative processes and develop new tools to support the integrity and sustainability of the new budgeting process

Project Working Group

The project working group was established to provide oversight and to serve as a decision-making resource that can speak and act on the behalf of the campus.
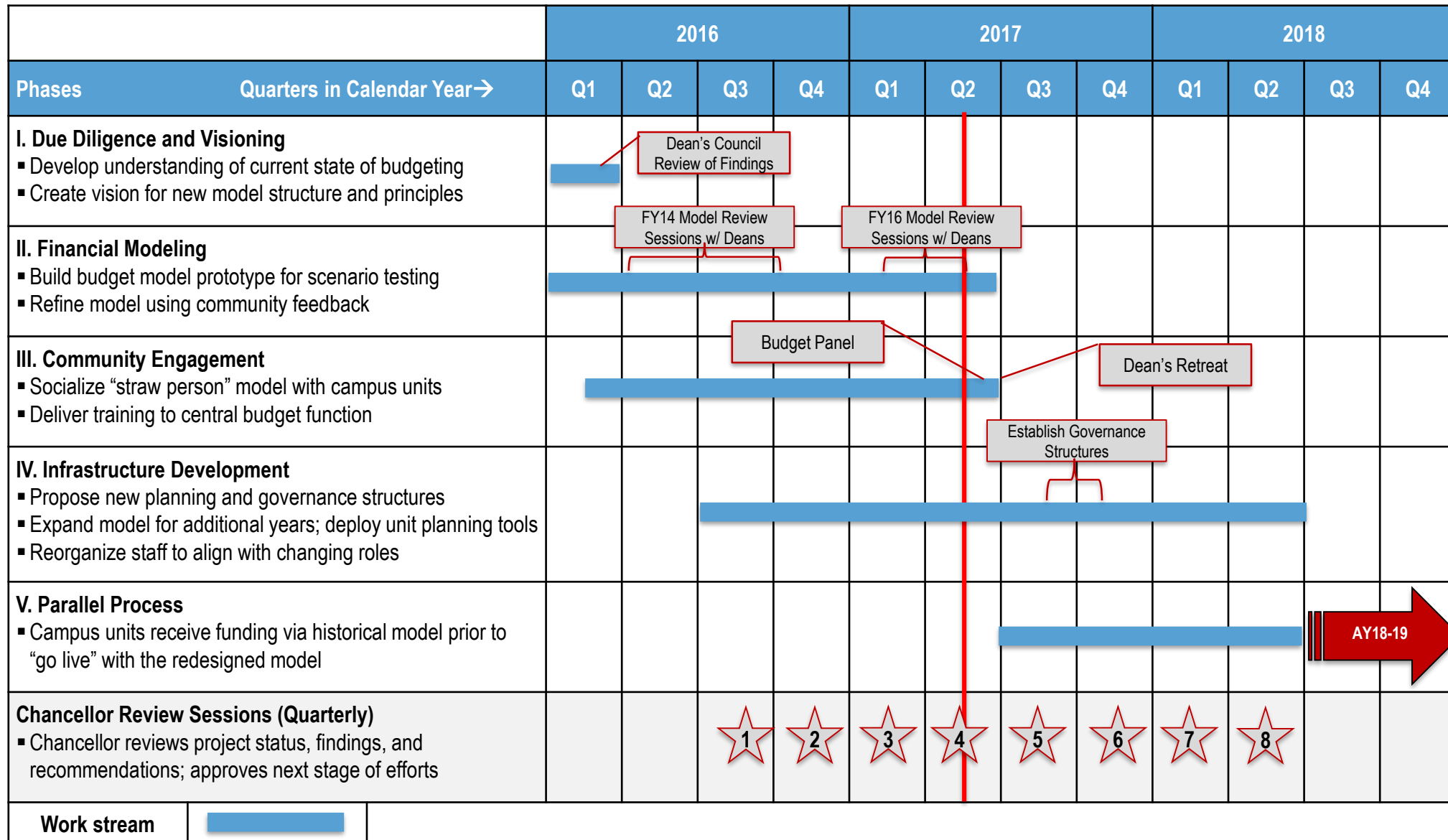
Current Membership	
Jim Dean, Executive Vice Chancellor & Provost **(executive sponsor)**	Douglas Shackelford, Dean, Kenan-Flagler Business School
Matt Fajack, Vice Chancellor, Finance and Administration **(co-chair)**	Kevin Guskiewicz, Dean, College of Arts & Sciences
Dwayne Pinkney, CFO and Snr. Vice Chancellor, Finance and Admin. **(co-chair)**	Wesley Burks, Executive Dean, School of Medicine
Terry Magnuson, Vice Chancellor, Research	Michael Roberts, Executive Associate Dean, School of Dentistry
Winston Crisp, Vice Chancellor, Student Affairs	Rick Wernoski, Exec. Vice Dean, Chief Operating Officer, School of Pharmacy
Chris Kielt, Vice Chancellor, Information Technology	Todd Nicolet, Sr. Associate Dean for Admin., School of Public Health
Andy Johns, Senior Associate Vice Chancellor for Research	Tom Thornburg, Senior Associate Dean, School of Government
Barron Matherly, Assistant Provost, Finance	Eva Labro, Professor of Accounting & Michael W. Haley Distinguished Scholar*
Lynn Williford, Assistant Provost, Institutional Research and Assessment	
Brian Smith, Senior Assistant Vice Chancellor and Treasurer	
Aimee Turner, Exec. Dir., Enterprise Financial Accounting & University Controller	
Paige Burton, Executive Director, Budget, Financial Planning & Analysis	
Nikkia Sheppard Lynch, Business Officer, Finance and Academic Planning	

* Designates special Committee guest

Project Plan

The project plan features overlapping phases to accommodate institutional needs and readiness. Under the current plan, campus could achieve full model implementation as early as academic year 2018-19.

Phases / Quarters in Calendar Year→	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3	Q4	2018 Q1	Q2	Q3	Q4
I. Due Diligence and Visioning ▪ Develop understanding of current state of budgeting ▪ Create vision for new model structure and principles	▬	Dean's Council Review of Findings										
II. Financial Modeling ▪ Build budget model prototype for scenario testing ▪ Refine model using community feedback	▬▬▬▬	FY14 Model Review Sessions w/ Deans	▬	▬	▬	FY16 Model Review Sessions w/ Deans						
III. Community Engagement ▪ Socialize "straw person" model with campus units ▪ Deliver training to central budget function		▬▬▬▬▬	Budget Panel	▬	▬	Dean's Retreat						
IV. Infrastructure Development ▪ Propose new planning and governance structures ▪ Expand model for additional years; deploy unit planning tools ▪ Reorganize staff to align with changing roles			▬▬▬▬▬▬	▬	▬	Establish Governance Structures	▬	▬	▬	▬		
V. Parallel Process ▪ Campus units receive funding via historical model prior to "go live" with the redesigned model						▬	▬	▬	▬	▬	AY18-19 ➤	
Chancellor Review Sessions (Quarterly) ▪ Chancellor reviews project status, findings, and recommendations; approves next stage of efforts			★1	★2	★3	★4	★5	★6	★7	★8		
Work stream ▬▬▬												

Project Guiding Principles

Working group members submitted proposals for guiding principles, which are summarized below. These principles were used to assess the current state of budgeting and to inform the desired future state.

1. Create a **clear link** between **resource allocation** and the University's **mission, goals, values, and priorities**, with an expectation of excellence in teaching, research, and public service

2. Provide a **consistent** and **fair methodology** for revenue and cost allocation that is **easy to understand** and features **incentives** that **reward performance, collaboration, entrepreneurship**, and **innovation**

3. Develop a **collaborative** and **sustainable** budgeting process that promotes **fiscal transparency, trust**, and **accountability**

4. Strike an appropriate **balance** between **central** and **local** roles that provides greater **local control** and **responsibility** over resources, but ensures that **institutional priorities** can be funded

5. Maintain trusted and reliable data sources to facilitate **data-driven decision making** and to promote **enhanced forecasting** and **planning**

Model Structure & Design

Model Structure: Overview

Campus units have been categorized as primary units or support units based upon their impact on revenue generation and their level of financial self sustainability.

Primary Units	Support Units

▪ Ability to influence revenue generation:
  – Price
  – Quantity (not captive market)
▪ Cover direct costs with generated revenue
▪ Fully-allocated central (support unit) costs
▪ Accountable for performance, retaining both surpluses and losses
▪ Pay subvention tax
	▪ Limited-to-no ability to influence revenue
	▪ Provide services and/or support to academic, research, and auxiliary units
	▪ No allocation of central costs
	▪ Accountable for optimal service levels
	▪ Encouraged to justify funding levels through benchmarking
	▪ Accountable for fiscal performance
	▪ IT, HR, and Facilities may have service-level agreements with select primary units

Model Structure: Primary Units

Campus units identified as primary units have been organized into three categories: Academic Units, Centers & Institutes, and Auxiliary Units.

Primary Units			
Academic Units (13)	**Centers & Institutes (29)**		**Auxiliary Units (9)**
▪ College of Arts & Sciences	▪ Carolina Population Ctr.	▪ Data Intensive Cyber Env. (DICE)	▪ Student Stores
▪ School of Business	▪ Frank Porter Graham Child Dev. Inst.	▪ Institute on Aging	▪ Energy Services
▪ School of Dentistry	▪ Cecil G. Sheps Center for Health Services Research	▪ Friday Ctr. for Cont. Edu.	▪ Athletics
▪ School of Education	▪ Renaissance Computing Inst.	▪ Morehead Planetarium	▪ Auxiliary Services
▪ School of Government	▪ Nutrition Research Inst.	▪ NC Botanical Garden	▪ Transportation & Parking
▪ School of Information & Library Sciences	▪ Ctr. for Health Promotion and Disease Prevention	▪ Ackland Art Museum	▪ Campus Health Services
▪ School of Media & Journalism	▪ Highway Safety Research Ctr.	▪ James B. Hunt Jr. Inst. for Edu. Leadership and Policy	▪ Carolina Union
▪ School of Law	▪ Inst. for Marine Sciences	▪ Ctr. for Faculty Excellence	▪ Housing and Residential Education
▪ School of Medicine	▪ Inst. for the Environment	▪ Carolina Ctr. for Public Svc	▪ University Development
▪ School of Nursing	▪ Injury Prevention Research Ctr.	▪ Sonja H Stone Ct.	
▪ School of Pharmacy	▪ Ctr. for Developmental Science	▪ American Indian Ctr.	
▪ School of Public Health	▪ Odum Inst. for Research in Social Sci.	▪ Inst. of African American Research	
▪ School of Social Work	▪ Ctr. for the Study of Natural Hazards / Dis.	▪ UNC Global	
	▪ Kenan Ctr. For the Util. of Carbon Dioxide	▪ Carolina Women's Ctr.	
		▪ Center for Galapagos Studies	

Model Structure: Support Units

Those units that are not categorized as primary units are considered support units; these are grouped into cost pools, the number of which should be driven by balancing the desired level of transparency with the desired level of model complexity.

Few ◄───── **Number of Pools** ─────► **Many**

- Simple

- Drives academic focus to revenues

- Provides flexibility to central administration

- Avoids functional "witch-hunts"

- Reduces time spent in committees

- Increases transparency

- Closer approximation of economic reality

- Provides functional accountability

- Connects costs and service levels

- Allows adjustments to balance start points

- Supports implementation buy-in

A model with limited transparency into support unit activities can fail to drive efficiencies; however, a model with too much transparency can sensationalize decisions

Model Framework

The model framework allows for unit-level funds flow statements. A condensed version of the structure, for illustrative purposes, is shown below.

Revenues and expenses (direct and indirect) will be clearly displayed for each primary unit, allowing for conversations and value judgments surrounding programs and services across the institution

Budget Process Transformation

The following table describes some of the more significant shifts from the current approach to budgeting to the proposed approach.

Current Budgeting Approach	Proposed Budgeting Approach
▪ Top-down state funds spending appropriation for campus units	▪ Collaborative, "all funds" unit plans that adapt to changing conditions
▪ Mostly incremental model driven by year-to-year decisions from central	▪ Transparent, consistent, and rule-based allocation methodologies that promote longer-term planning
▪ Low correlation between revenue generation and revenue distribution amongst academic and research units	▪ Strong linkages between those units that generate centrally-booked revenue for the university (e.g., F&A and state funds) and those units that receive it
▪ Incentives for spending to maintain state funds budget	▪ Incentives for mission-aligned growth, entrepreneurship, and resource efficiency
▪ No formal mechanisms for deans to drive administrative service level improvements and efficiencies	▪ New governance committee (that includes deans) to evaluate annual performance and spending plans of administrative units
▪ Few annual planning discussions between central and local leaders	▪ Joint discussions on institutional priorities that integrate academic planning with financial management
▪ Inadequate tools and reporting to guide local planning and management	▪ Robust, integrated tools and reports that enable more rigorous analysis and scenario planning

Appendix

Annual Budgeting Process Calendar

UNC Annual Budgeting Calendar

	July	August	September	October	November	December	January	February	March	April	May	June
Primary Units	Primary Units send student fee requests to Student Fee Advisory Sub-Committee for Year 1&2 of next biennium; Primary Units access prior FY activity		Academic Units submit enrollment numbers to OIRA for next biennium	Primary Units present at **Strategic Review sessions** hosted by CFO & Provost Office				Primary Units access prior CY activity data	Primary Units present at **budget hearings** hosted by CFO & Provost's Office		Primary Units submit final budget proposal	
CFO's Office		CFO's Office publishes **budget book** for current fiscal year	CFO's Office shares **budget book** highlights with the Financial Council Budget Sub-committee		CFO's Office distributes preliminary budget "call letter"[1]			CFO's Office distributes updated budget "call letter"[1]		Controller issues memo to campus units on fiscal year end procedures	CFO's Office distributes budget "close letter"[1]	
Provost's Office					Provost's Office submits tuition and fee request to UNC GA for review and presentation to BOG; Provost's Office submits summer school tuition and fee credit hour proposal for the next summer to GA							
Governance Committee			Support Units present to Support Unit Allocation Committee		Support Unit Allocation Committee submits support unit budget reco.. to Executive Budget Committee; Executive Budget Committee submits support unit budget reco.. to Chancellor	Capital Planning Committee governs space reallocation & submits deferred maintenance priority list					Executive Budget Committee presents UNC budget to Chancellor	
Others		OSBM approves carry forward requests for new FY; Controller closes actuals ledger from prior FY	SFAS submits fee requests and schools submit SBTI's to Provost's Office for Year 1 & 2 of next biennium				UNC Gen. Admin approves summer school tuition and fee student credit hour rate proposal	UNC Board of Governors approves tuition and fees for next biennium				

[1]Includes guidance on state appropriations, student financial aid, student fees, participation fee (tax) rate, indirect cost recovery, and support unit (cost pool) allocations.

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