



Budgeting and Financial Management

Budget Committee of the Academic Senate
January 30, 2012

WAYNE STATE
UNIVERSITY

WSU Steering Committee Members

- Ron Brown, Provost & Senior Vice President for Academic Affairs (Co-Chair)
- Farshad Fotouhi, Dean, College of Engineering
- Joe Kieleszewski, Director, Business Affairs, College of Liberal Arts & Science
- Rob Kohrman, Associate Vice President for Budget, Planning & Analysis (Co-Chair)
- Ken Lee, Associate Dean, School of Medicine and Executive Director of WSU Physician Group
- Rick Nork, Vice President for Finance and Business Operations, Treasurer, and CFO
- Charles Parrish, Professor, College of Liberal Arts & Science
- Hilary Ratner, Vice President for Research
- Matthew Seeger, Dean, College of Fine, Performing & Communication Arts
- Lisa Shrader, Deputy Chief of Staff
- Margaret Williams, Dean (Interim), School of Business Administration
- William Volz, Professor, School of Business Administration

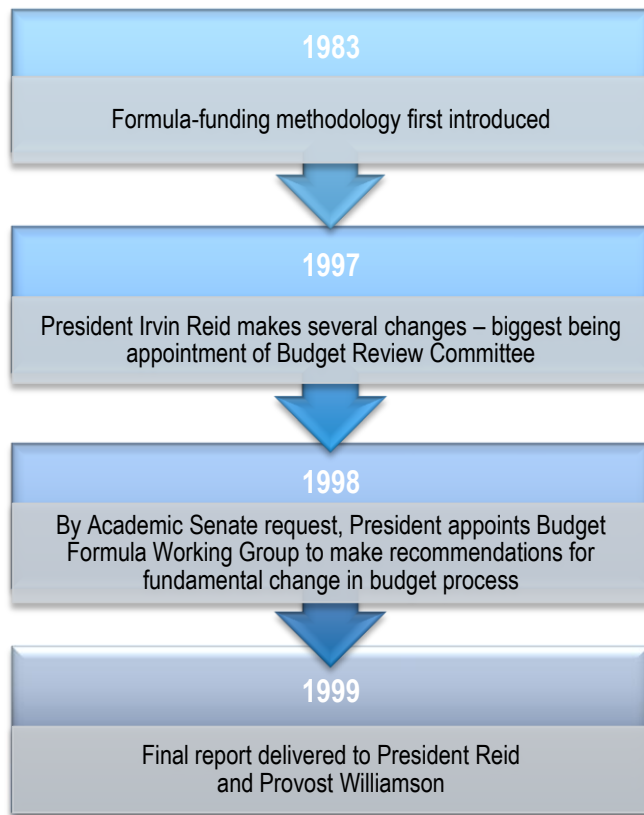
WSU is facing considerable fiscal challenges stemming from the recent US recession. As a result to these and other challenges, the leadership team has decided the structure and function of the University's budget model is no longer adequate to support its long long-term needs.

Challenges inherent in the current model include:

- Focus on expenditure control as opposed to revenue generation
- Preference to historic funding precedents as opposed to funding justifications
- Lack of connectivity between revenue and expenses
- Lack of effective incentives to promote certain behaviors and mitigate unintended consequences
 - e.g. carry over policy creating year-end spending sprees / lack of service level expectations

Understanding of Your Needs

WSU's current budget model is a derivative of a 1983 funding-formula, which has undergone numerous revisions and received material criticism since it's initial adoption almost thirty years ago.



The 1999 Final Report outlined six concerns:

- Formulas used were not implemented uniformly or consistently
- Student/faculty ratios assignments were inappropriate (unusual enrollment period; comparisons; ad hoc adjustments)
- Budget did not provide effective mechanism for prioritization
- Formulas could cause units to suffer substantial drops in funding based on short-term enrollment fluctuations
- Lacked explicit funding for other general operating expenses (e.g. recruiting, student projects, support staff)
- Fostered an inappropriate level of competition

The report concluded:

- "...A reformed budget methodology does not address the problem of systemic under funding. The most it can do is allow the University to make better use of the limited resources it already possesses."

Huron/WSU Budgeting Conversations

Huron's budgeting work with WSU began in the summer of 2011 as part of the University's broad-based institutional effectiveness initiative. This identified the need to:

1. Move to a bottom-up approach to budgeting
2. Create additional transparency around cost categories
3. Transition to an incentive-based resource allocation model

This Steering Committee has been charged with evaluating incentive-based budgeting alternatives and identifying a best-fit model for WSU.

Initial Project Objectives

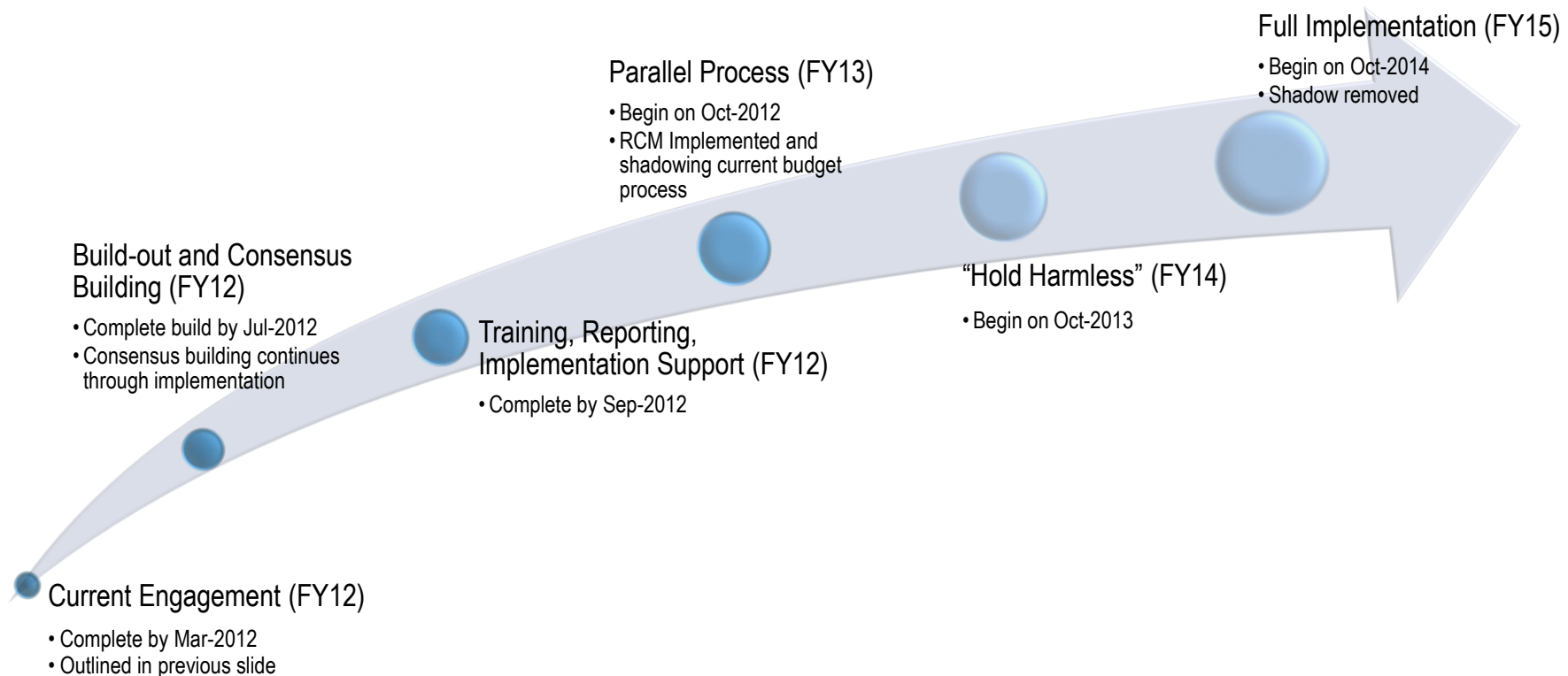
Huron proposes the following four objectives to the Steering Committee to guide us through the course of the next seven weeks:

- Develop set of principles to govern budget model
- Design and model incentive-based budget model alternatives
 - Revenue and expenditure allocation rules
 - P&L statements for proposed responsibility centers
- Build a business case to support the recommended model
- Vet and refine the model and business case with the Steering Committee

Do these objectives align with the Committee's goals and objectives?

Implementation Timeline Considerations

Planning for model implementation should focus on identifying process changes, data needs, timelines, and milestones. Cultural change readiness should also be evaluated to assess challenges for model adoption.



The decision to transition to an incentive-based model with an initial implementation date of October 1, 2012 requires that numerous activities be completed on time to meet the desired deadline.

Huron Tasks:

- Draft high-level communications plan
- Finalize data scrubbing and analysis from initial data request
- Solidify selection of responsibility centers, auxiliary enterprises, and administrative and support pools
- Develop allocation rules for indirect costs and revenues

Upcoming Meetings and Topics:

- Academic Senate (Budget Committee) Presentation and Discussion – January 30th at 11AM
- Office of VP of Research and Office of the Provost and Senior VP for Academic Affairs
- Steering Committee – February 9th, 12:00PM – 1:30PM (Topics: principles and allocation rules)
- Steering Committee – February 22nd, 12:00PM – 1:30PM (Topic: model review)

Steering Committee Tasks:

- Develop guiding principles for model development