UW-Green Bay Incentive-Based Budget Guide

A Comprehensive Guide to Incentive-Based Resource Allocation and Financial Planning and Management

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UNIVERSITY *of* WISCONSIN
GREEN BAY

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1.0 General Information

1.1. Introduction

Welcome to the Incentive-Based Budget Manual. The purpose of this document is to assist the senior leaders, deans, associate deans, chairs, directors, and any other users involved in the incentive-based budgeting process by providing clear documentation and definition of budget allocation rules and activities. Specifically, the document provides information on:

- General Information on Incentive-Based Budgeting at UW-Green Bay
- Incentive-Based Budget Model Structure
- Unit Roles and Responsibilities
- Budget Model Assumptions
- Incentive-Based Budget Model Components and Allocation Methodologies
- Budget Governance Structure
- Budget Process Timeline
- Glossary of Terms

This manual will be updated periodically as the University budget model evolves and changes. We hope that you find this manual useful and informative. Please contact the Budget Director with any questions.

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1.2 Overview of Incentive-Based Budgeting

The Incentive-Based budget model is designed to empower academic organizations with the benefit and responsibility of greater financial stewardship. Incentive-based budgeting is a decentralized approach to budget allocation and management that assigns greater control over resource decisions to the Academic Deans. Under this budget approach, academic colleges are referred to as "Revenue Centers" with a large portion of the revenue and support costs assigned to them. The underlying premise of the model is to entrust the academic leaders with more control of financial resources, thus leading to more informed decision-making and ultimately better outcomes for the institution as a whole.

In centralized budgeting models, academic program decision-making is often decoupled from financial responsibility. By allowing the Revenue Centers to control the revenues that they generate, decision makers can better understand the academic and financial impacts of their decisions. Incentive-based budgeting also allows academic planning and resource decisions to be more transparent within units and across the colleges and administrative units. With financial and academic data readily available and the potential to retain financial resources, decision makers have the opportunity to leverage resources, even when limited, more effectively to drive the university in the direction of its mission.

1.3 Rationale for the Redesigned Model

Over the past several years, UW-Green Bay has evolved to a point where improved information systems and awareness of instructional costs have provided the foundation to implement an incentive based budget. Recently, UW-Green Bay has undergone the following significant changes:

- Academic and administrative reorganization to shift to a four-college model;
- Academic and financial reorganization to align with CIP structure;
- Implementation of Academic Performance Solutions "APS";
- Merger with UW-Manitowoc, UW-Marinette, and UW-Sheboygan as part of the UW Colleges and UW-Extension Restructuring; and
- Development of a new Strategic Mission and Vision.

In 2014, the University embarked upon an ambitious strategic planning effort centered on the Invent the Future initiative. Significant headway was made in terms of budgetary development including the creation of the University Planning and Innovation Committee, but budgetary challenges have forced the University to continue to adapt its approach to planning for the future. Faced with these challenges, it is clear that representation from all academic colleges and units as well as a formalized budget governance structure is needed to position the University for success.

To continue the University's strategic planning efforts and gather university-wide input, Chancellor Miller convened a Funding Allocation Work Group (FAWG) to study new approaches to the University's budget planning process. No singular budget approach will offer all the answers to the complex issues public universities including UW-Green Bay face today; however, the Funding Allocation Work Group, with Chancellor Miller's support, has determined that an Incentive-Based Budget Model approach has the greatest potential for enabling better resource allocation choices and, in turn, improved outcomes for the University. Although the work group sees many benefits to adopting an Incentive-Based Budget Model, additional changes across the university will be necessary for its successful implementation. For example:

- New knowledge and skills will be required of deans, academic administrators, faculty and staff of UWGB academic and administrative units;
- Improved strategic planning will be necessary at each college, branch campus, and support center;

- Increased transparency of financial budgeting and management;
- More thorough approach to decision-making through the use of financial, enrollment, and staffing data and projections

1.4 Incentive-Based Budget Model Vision, Goals, and Principles

1.4.1 Incentive-Based Budget Model Vision

With recent budget shortfalls and the integration of the branch campuses, the University of Wisconsin-Green Bay is standing at an important time in its history. The significant changes to the University structure, decreases in state support, and shifting demographics within the state of Wisconsin make planning for the future to be of critical importance. The vision of the Incentive-Based Budget model is to take a mission-driven approach to budgeting that will encourage entrepreneurialism from the deans and collaboration and transparency across all units within the University. Through adopting an Incentive-Based Budget model, the University seeks to create a financial plan for the future that will leverage the collective strengths of UWGB as well as identify creative ways to grow the student body, provide innovate programming, discover alternative sources of revenue, and identify opportunities to reduce costs.

1.4.2 Incentive-Based Budget Goals

By implementing an Incentive-Based Budget model, the University seeks to achieve the following goals:

- Advance the University’s mission through stronger alignment between financial resource allocation decisions and university priorities
- Decentralize financial decision-making by providing deans and other academic decision-makers with more control and influence over financial resources
- Grow innovative and entrepreneurial activities through the faculty and deans that are financially viable
- Determine reasonable revenue and enrollment targets at the department and college-level.
- Provide two-way transparency related to financial management, reporting, and performance

1.4.3 Incentive-Based Budget Principles

A principles-based approach to the construction and implementation of an Incentive-Based budget model ensures that financial management and planning reflects University priorities. UW-Green Bay central administration, the deans, and other leaders of major units within the University have determined the following principles to be of critical importance for the new budget model:

Principle	Expectation
Strategy	Align resource allocations to institutional strategy and clearly articulate University goals throughout the process
Responsibility	Give ownership of financial management decision and responsibility for those decisions
Transparency	Be transparent with decision-making to promote buy-in and collaboration
Mission	Use the budget model as a flexible tool to facilitate the University's mission to provide an interdisciplinary education with student success as its highest priority
Entrepreneurship	Foster a culture of rewarding performance, productivity, entrepreneurialism, and effectiveness
Stakeholders	Articulate to stakeholders the importance of the budget process and their decisions about resource prioritization
Future	Focus on the reality that the budget model is not a zero-sum game, but an opportunity to strengthen the University through win-win opportunities and outcomes
Balance	Expect compromise with respect to model elements to provide a sense of balance and consistency—for example central vs. local services or economic reality vs. simplicity
Matching	Incorporate matching to align revenues with the expenses incurred to generate them, not for a profit motive, but so clarity is given to institutional subsidies
Simplicity	The model should be simple to use, understand, and maintain

1.5 Primary Differences between Legacy Budgeting and Redesigned Model

UWGB's historical budget model was incremental in nature. In its most simple form, it rolled units' prior year operating budgets forward and either added or subtracted some amount of funding to those figures. This approach did not tie activity levels (e.g., enrollments, credit hours produced, etc.) directly to funding and therefore sometimes resulted in non-equitable and/or non-transparent funding allocations. The redesigned budget model is intended to remedy these issues and utilize a data-informed approach to resource allocation. While there are many differences between UWGB's historical approach and the redesigned model, all of which will be explored in great depth in subsequent sections of this document, it is important to initially outline the most material differences in order to provide context for the details that follow.

The primary differences relate to:

- **Allocation of Revenues:** The model aims to allocate Undergraduate tuition (Fund 131), State Support (Funds 102 and 103) revenue resources equitably, through a data driver that considers credit hours produced and number of student majors. In addition to these activity-based allocations, units are directly allocated, and expected to budget for, all other revenues that they generate (e.g., graduate tuition, grants and contracts, private gifts, and other miscellaneous revenues). The allocation of these funds is intended to empower Deans to be entrepreneurial and grow revenues, allowing for unit level growth overall improvement of the University's academic quality and financial position.
- **Allocation of Indirect Costs:** Although some Colleges/Units at UWGB have historically monitored both their revenues and expenses in an attempt to understand their bottom-line margins, few have considered the indirect costs associated with the University's administrative and central services. These units are grouped into Support Centers, in the incentive-based budget model, and will be discussed in Section 2.2. The redesigned budget model seeks to allocate these administrative and support costs equitably to the Revenue Centers based on several activity-based drivers, such that each unit is truly "fully costed" (pays for all relevant costs, direct and indirect). These Support Center units exist so that the Colleges and other "consumers" of their services can themselves function effectively, so it logically follows that the revenue-generating units should bear the relevant costs. In being allocated these costs however, it also follows that the consumers will have transparency into the Support Center's cost structures such that they can collaborate with leadership to determine if service levels are appropriate and representative of those allocated costs.
- **Strategic Pool/Subvention Fund:** The final material difference between UW - Green Bay's legacy and redesigned budget model is the use of a participation fee. Whereas central administration traditionally pooled all of the University's revenues and allocated them out at their discretion, the redesigned model directs those revenues to the units responsible for their generation. This approach leaves the central administration with few, if any resources, to invest in strategic initiatives, and also leaves some Colleges/Units with negative operating margins. To remedy these issues, a "participation fee" is applied to select Revenue Center revenues (all excluding gifts and contracts, start-up revenues, and carryover funds) to create a pool of funding to be controlled by the Executive Budget Committee. This pool can then be used to subsidize Colleges or other revenue generating units with negative bottom lines, and to invest in institutional and/or program-specific strategic initiatives.

While the redesigned model is undoubtedly representative of a drastic shift away from the centralized, incremental budget model that has guided UWGB's resource allocation process for years, it is important to note that there are controls, policies, and mechanisms in place to facilitate this process and to avoid unit-level autonomy that could result in a given College/Unit realizing gains at a cost to the institution as a whole; the "Four Campuses, One University" goal must be considered at all times. Indeed, it is important to note that upon implementation of the new decentralized budget model, the Executive Budget Committee will maintain authority to:

- approve tuition rate requests
- approve budgets for Revenue Centers, Support Centers, and Auxiliary Units
- require units to carry out university-wide, strategic initiatives (e.g., community programs)

2.0 Incentive-Based Budget Model Structure

The creation of a decentralized budget model requires UWGB's divisions and departments to be classified as Revenue Centers (Colleges/Schools), Support Centers (primarily institutional "service providers" such as Enrollment Management or Facilities), and Auxiliaries (remaining standalone units). In doing so, the resulting income statement depicts each Revenue Center's revenues, direct expenses, and indirect expenses (i.e., allocations of Support Center costs) to illustrate a "fully-costed" bottom line. The model structure will be updated as necessary to reflect any changes in the University's organizational structure including, but not limited to: A) creation of new academic units B) the restructuring (and potential renaming) of existing programs, and C) restructuring of current departments.

2.1 Revenue Centers

Essential to implementing an Incentive-Based Budget Model was the identification of the areas of the University that will serve as the "Revenue Centers." The Academic Colleges have been named Revenue Centers under the new model structure due to their ability to directly influence revenue through curricular and non-curricular programming decisions. The Revenue Centers must cover their direct expenses and are relied upon to support institutional activities aligned with the mission of the University. Additionally, Revenue Centers are responsible for many of their own financial decisions as well as managing their own revenues, expenditures, and fund balances.

The Revenue Centers identified by University leadership include:

Revenue Center
Austin E. Cofrin School of Business ("AECSB")
College of Arts, Humanities, and Social Sciences ("CAHSS")
College of Health, Education, and Social Welfare ("CHESW")
College of Science, Engineering, and Technology ("CSET")

2.2 Support Centers and Branch Campuses

By definition, Support Centers are units within a university that provide the services necessary to support the mission. These units are accountable for providing an optimal level of service and must justify their funding levels through bench-marking and transparency of services. The net direct expenses (offset by any revenue generation) of these units are allocated to and paid for by the Revenue Centers. Support Centers identified by University leadership include:

Support Center Pools	Descriptions
Academic Affairs	International Education, Assessment, Accreditation, Research, etc.
Enrollment Services	Admissions, Advising, Financial Aid, Registrar, etc.
Library	Collections, Archives, Public Services, Research & Outreach Services, etc.
Facilities	Physical Plant, Maintenance, Utilities, etc.
Graduate Studies	Program Development, Support and Outreach; Academic Support; Assistantship Support; etc.
Student Affairs	Dean of Students, Student Life, Student Disability Services, Intramurals, etc.
Information Technology	Client Services, Network Services, Information Systems, and IT Security, etc.
External Affairs	Advancement, Chancellor's Office, Marketing, Athletics, Weidner Center, etc.
General Administration	Unitwide, External Agency Affiliates, etc.
Business and Finance	Accounting, Security, Human Resources, Budget, etc.
CECE	Continuing Education, Government, K-12 Relations, Registry Services, Conferences, Outreach, etc.
Branch Campuses	Manitowoc, Marinette, Sheboygan

While the Continuing Education and Community Engagement ("CECE") unit is included as a Support Center, CECE is required to pay a 30% participation fee to the Strategic Pool/Subvention Fund similarly to the Revenue Centers. The Executive Budget Committee (EBC) will then determine how much, if any, of the eligible fee should be allocated to academic units. Carryovers of up to 10% of total revenues are permitted, on a cumulative basis, after the 30% participation fee has been paid.

2.3 Auxiliaries

Auxiliary Units under the new model are thought of as standalone units. In theory, they should aim to generate enough revenue to cover their own direct expenses, but unlike the Revenue Centers they do not necessarily support curricular or co-curricular programming. Since they generate adequate amounts of revenue through their various activities and sales, their net expenses are not allocated to the Revenue Centers as in the case of Support Centers. Auxiliaries identified by University leadership include:

Auxiliaries
Capital Projects
Shorewood Golf Course
Segregated Fee Funded Activities
Distance Education Fee Funded Activities
Public Safety-Parking
Residence Life
University Union

3.0 Revenue

All revenue-generating activity is included in the UWGB Incentive-Based Budget Model and aligns to the corresponding fiscal year general ledger.

3.1 Revenue Streams and Allocations

In order for the model to properly communicate the fiscal impact of each Revenue Center, a series of allocations are required to gain a comprehensive understanding of revenues being generated and the attendant costs associated with their generation. These various revenue allocations, as well as direct revenue streams from the general ledger, are explained and illustrated below.

3.1.1 General Undergraduate Tuition – Fund 131

Fund 131 Undergraduate Tuition revenue is pooled together and shared between the College of Instruction ("COI") at 65% and College of Record ("COR") at 35%. All terms (summer, fall and spring, and intersession) are allocated in the same manner. COI refers to the College delivering the instruction. COR refers to the unit in which the student is enrolled as a degree-seeking student. Revenue is distributed based on prior year enrollment data. The split between credit hours instructed and consumed is explained as follows:

- 65% of the academic share is directed to the college/school of instruction. The College/School of instruction pool is allocated using total undergraduate credit hours instructed by each College. This allocation is meant to recognize the material cost of instruction that exists at all colleges. For example, if an enrolled Cofrin School of Business student takes English Composition 1, 65% of the relevant tuition revenue would flow to the College of Arts, Humanities, and Social Sciences for instructing the Business student.
- The remaining 35% of the academic share is directed to the College/School of record. This allocation is meant to recognize the cost of recruitment, advising, as well as other indirect costs incurred as a result of students housed within a college. Using the previous example, the Cofrin School of Business would receive 35% of the relevant tuition revenue generated as a result of housing the student.
- If a student takes a course in the College of their major, 100% of the academic share is retained by that college. For example, if a College of Arts, Humanities, and Social Sciences major took English Composition 1, CAHSS would receive 100% of the relevant tuition.

3.1.2 GPR Funding: Base funding generated from Fund 102/103 State Appropriations.

Fund 102/103 State Appropriations are pooled together and shared between the College of Instruction and the College of Record methodology detailed above.

3.1.3 Start-up Program Revenue:

New, innovative programs are granted a period of time (three years) in which all of the revenues generated are allocated to the College of Instruction. This window of time recognizes the higher direct costs of creating innovative programs and allows sufficient time for the Colleges to grow start-up programs with a focus on future sustainability. After the first three-years of revenue generation, future revenue should be treated as general undergraduate tuition revenue and is shared between the College of Instruction and College of Record.

3.1.4 General Graduate Tuition – Fund 131

Graduate tuition is allocated directly to the College of Record. This direct allocation methodology relates mostly to the high correlation between COI and COR for graduate students. In cases where interdisciplinarity is defined as part of a graduate program's curriculum, it is suggested that revenues be coded in the system such that all Colleges involved with the program receive appropriate tuition amounts directly. Handling such instances on the accounting side (instead of through a credit hour allocation) should ensure that any differential tuition allocations are recognized appropriately and are not diluted. Similar treatment should be identified for Unitwide graduate course revenue. It is recommended that these revenue splits follow the same algorithm (65% instruction / 35% record) utilized for undergraduate tuition.

3.1.5 Collaborative Program Revenue – Fund 189/104

As of Fiscal Year 2018, collaborative programs were under the purview of the Division of Continuing Education and Community Engagement (Unit 13). As of FY 19, collaborative programs will be the purview of the Revenue Centers shown in the table below.

Collaborative Program	Responsible Revenue Center
Data Science	Cofrin School of Business
Health and Wellness Management	College of Health, Education, and Social Welfare
Health Information Management and Technology	College of Health, Education, and Social Welfare
Sustainable Management	College of Science, Engineering, and Technology

For the purposes of the Incentive-Based model, the collaborative programs were moved under their respective colleges and are treated as direct revenue.

All revenue generated on Fund 104 that is not considered to be part of the Collaborative Programs listed above (e.g. CSB Business Outreach, dept. 322010) is treated as direct revenue in the model and is allocated fully to the unit generating the revenue.

3.1.6 Non-credit Outreach Programs – Fund 132/104

Non-credit program revenue generated on Fund 132 (e.g. CECE Continuing Professional Education, dept. 131010) is considered direct revenue in the model and is allocated fully to the unit generating the revenue.

3.1.7 Auxiliaries and General Operations Revenue – Funds 128 and 136

All auxiliary revenue and general operations revenue is considered to be direct revenue and is allocated fully to the unit generating the revenue. Restricted Funds should be retained by the Unit and not distributed to Revenue Centers to reduce indirect costs.

3.1.8 Federal Indirect Cost Reimbursement – Fund 150

Along with direct research dollars, Federal Indirect Cost Reimbursement (FICR) are allocated directly to the academic units responsible for their generation as well. Senior leadership elected to distribute 40% of FICR recoveries to the generating unit and 60% to the Provost and other administrative areas.

It is also important to note that this model is not intended to dictate whether Colleges should accept or decline grants that pay low indirect recovery rates, as grants with low recovery rates often fund important research efforts. It does, however, speak to the importance of managing the overall mix of research grants that a Revenue Center and the University as a whole, pursues.3.1.10 Extramural Granting – Fund 133, 144, and 233

All grants and contracts (direct research or other sponsored activities) revenues are allocated directly to the academic units responsible for their generation. Accordingly, all colleges, schools or research centers receiving grant funding will be expected to cover all direct and indirect costs associated with the respective research activities. It is important to remember that these revenues trigger indirect cost allocations, as well as the research subsidy previously described. The bottom-line financial impact of accepting a grant can thus be calculated and should be considered in building out the research portfolio of both an individual Revenue Center and the University as a whole.

3.1.9 Miscellaneous Revenue – Fund 123, 184, and 187

Miscellaneous revenue includes funds received for PR debt service, license plate scholarships, and funds from other state agencies. These sources of revenue are treated as direct revenue and are allocated fully to the unit generating the revenue.

3.1.10 Segregated Funds – Fund 161, 162, and 170

Segregated funds are labeled as such as they are not included by UW System when calculating the fund balances of UW-Green Bay. These sources of revenue are treated as direct revenue and are allocated fully to the unit generating the revenue.

3.1.11 Carryover

GPR budgeted expenses less GPR actual spending is given to the University as non-salary spending authority in the following year. This authority is identified as a direct revenue in the model.

3.1.12 Energy Costs and Electric Energy Derived from Renewable Resources – Funds 109 and 118

State appropriation funding for energy and electric energy derived from renewable resources will be under the purview of Unit 45: Facilities in the model. All 109 and 118 funds have been allocated fully to this unit.

3.1.13 Principal Repayment and Interest – Fund 110

State appropriation funding for principal repayment and interest will be under the purview of Unit 98: Unit-wide in the model. All 110 funds have been allocated fully to this unit.

3.1.14 Minority and Disadvantaged Programs – Fund 402

State appropriation funding for minority and disadvantage programs is treated as direct revenue and is allocated fully to the units generating the revenue (Student Affairs and Enrollment Services).

3.1.15 Graduate Student Financial Aid and Lawton Minority Undergraduate Grants Program – Funds 403 and 406

State appropriation funding for graduate student financial aid and the Lawton minority undergraduate grants program is under the purview of Unit 14: Enrollment Services in the Incentive-Based Model. All 403 and 406 funds have been allocated fully to this unit.

3.1.16 Federal Aid – Funds 145-149

Revenue generated through Funds 145-149 is not included in the model as this revenue is treated as "pass-through."

3.1.17 Branch Campus Revenues

Through Project Coastal, it has been determined that the curriculum of the three branch campuses will reside within the four colleges of the Green Bay campus. The Incentive-Based model follows this same approach pooling all branch campus revenue generated through curricular programming and splitting it between the four Revenue Centers. Sixty-Five percent of the revenue will go toward the College of Instruction while 35% will go toward the College of Record.

Branch Campus Revenue Streams Moved to Revenue Centers (General Revenues)
State Appropriations – Fund 103
Tuition– Fund 131
Federal Direct Cost Reimbursement – Fund 150

For the purposes of the model, all other revenue that is generated at the branch campuses will remain and be treated as direct revenues used to offset the indirect cost allocation from the three campuses.

Branch Campus Direct Revenues
Non-credit Outreach – Fund 132
Auxiliaries – Fund 128
General Operations – Fund 136
Extramural Granting – Funds 133/144/233
Collaborative and Extension– Fund 189
Segregated Funds – Funds 161/162/170

Finally, State Appropriation dollars coming to the branch campuses through Fund 109 (Energy) will move to the Facilities Unit.

4.0 Expenses

The expenses within the UWGB Incentive-Based model have been organized into two categories: Direct Expenses and Indirect Expenses. Direct expenses are expenses that are directly attributable to a unit—for example: faculty and staff salaries and S&E expenses. Indirect expenses (Support Center expenses) are expenses incurred that are not fully linked to a Revenue Center, but are required to operate the University as a whole—for example: Information Technology and Human Resources expenses.

4.1 Direct Expenses

The direct expenses incurred under Incentive-Based model are consistent with the expenses incurred under UWGB's former budget model. Direct expenses for Revenue Centers are applied to the respective Colleges without reallocations. Direct expenses for Support Center units are applied to the respective cost pools and then allocated to the Revenue Centers as described in the subsequent section on indirect cost allocations. Faculty expenses will remain a direct expense and, thus, joint faculty hires may result in direct expenses to multiple Schools or Colleges.

Major categories of direct expenses charged directly are:

- Employee Compensation
- Employee Benefits
- Travel, Professional Development, Supplies, Equipment, Maintenance
- Scholarships
- Other General Expenses

4.2 Indirect Expenses and Allocation Metrics

Under the Incentive-Based model, the Revenue Centers are responsible for covering the net expenses of the Support Centers. Net Support Center expenses are calculated as: Total Unit Expenses less Revenue Generated. These net expenses are assigned an "indirect cost allocation metric," a metric that best represents how the services of that unit are consumed (e.g. student headcount is used for enrollment services since each additional student requires enrollment services to provide additional services).

Support centers with the same indirect cost allocation metrics are then grouped together (balancing transparency and complexity) into "support pools" and their net expenses are allocated to the Revenue Centers based on each Revenue Center's proportion of the assigned metric. For example, as the net expenses of enrollment services are allocated by student headcount, the formula for determining a college's indirect cost allocation is: $\frac{Student\ HC_{College\ A}}{Student\ HC_{College\ A+B+C+D}}$. The table below demonstrates the indirect cost allocation metrics of the support center cost pools.

Cost Pool	Indirect Cost Allocation Metric
Academic Affairs	Student Headcount + Faculty Headcount
Enrollment Services	Student Headcount
Library	Student FTE + Faculty FTE
Facilities	Assigned Square Footage
Graduate Studies	Graduate Credits
Student Affairs	Student Headcount
Information Technology	Student Headcount + Faculty Headcount + Staff Headcount
External Affairs	Total Direct Expenditures (less Fund 133, 144, 150 and 233 expenses)
General Administration	Total Direct Expenditures (less Fund 133, 144, 150 and 233 expenses)
Business and Finance	Total Direct Expenditures (less Fund 133, 144, 150 and 233 expenses)
Branch Campuses	65% Allocation to College of Instruction / 35% to College of Record

5.0 Strategic Initiatives and Subvention Fund

Revenue Centers are expected to operate within their budgets, to demonstrate efficiency, and to generate sufficient revenues to cover their costs. However, to address critical needs, a Strategic Initiative Fund and Subvention Pool is available to address investment and subvention needs. The Strategic Initiative Fund is primarily used to seed new programs, invest in programs demonstrating rapid growth, address capital needs, and address changes in the higher education market and other University priorities. The Subvention Pool is utilized to give support to programs that are critical to advancing the mission and vision of the University and/or meet the campus tuition target set by UW System.

A participation fee is applied to eligible revenues generated by Revenue Centers and CECE to create a central pool of resources which will fund the Strategic Initiative and Subvention Fund. These funds are used first to subsidize any Revenue Centers with approved, budgeted (negative) bottom lines, and then to invest in additional strategic initiatives as deemed appropriate by the Executive Budget Committee.

The model calls for a participation fee of 10% to be applied to selected revenues. Numerous scenarios were tested to arrive at this figure, which ultimately ensures that sufficient revenues are collected to cover all Revenue Center losses and in future years to provide the University with sufficient remaining funds to invest in new strategic initiatives which could focus on the University, specific Colleges, the Community, or some combination of each. As years pass, Colleges may tend to respond to the model's incentives and grow revenues, thus requiring smaller (or zero) subsidy amounts from the Strategic Fund. Accordingly, it is recommended that the participation fee be reviewed if the central administration's share of these funds begins to grow disproportionately relative to the new revenues generated by the Revenue Centers.

It is also important to note that while the model does not suggest that all units must break even or generate net revenues, the Strategic Fund subsidies to Colleges are not meant to be considered annual entitlements. It is recommended that any required subsidy amounts are negotiated in soft commitments that emphasize annual improvement efforts at the College level. For example, if a College currently requires a $2 million subsidy, it may be reasonable to ask the unit to develop an action plan such that it would be required to pay a $1.6 million subsidy three years in the future. Alternatively, the College may require further central investment for years to come and it may be appropriate for subsidy amounts to increase for some years. These types of action plans are intended to help ensure continuous improvement and revenue growth across the institution.

The Revenue Centers are assessed a participation fee, using the revenue streams, shown below:

Revenue Streams
102 GPR Funding
Undergraduate Tuition Revenue
Graduate Tuition Revenue
Other Tuition Revenue
104/189 Collaborative Program Revenue
104 Credit Outreach Programs
132 Non-credit Outreach Programs
128 Auxiliaries Revenue
136 General Operations Receipts
150 Federal Indirect Cost Reimbursement
161/162/170 Segregated Funds

CECE has a tax applied to all revenue streams.

6.0 Incentive-Based Budget Oversight

The redesigned budget model requires that certain roles, responsibilities, and processes will change for individuals from all areas of the institution. Most significantly impacted will be financial planning and analysis efforts conducted at both the University and the College/School levels. This section details some of the major expectations to be considered by various UWGB Colleges and units throughout each budget cycle.

6.1 Central Administration and Budget Office Roles and Responsibilities

The Chancellor provides oversight for the University as a whole and is advised on budgetary matters by the Strategic Budget Committee and the University Cabinet (Executive Budget Committee). Any significant changes to the Incentive-Based Budget model require the approval of the Chancellor. The Vice Chancellors provide oversight to the units reporting to them and ensure that the units' budgets reflect priorities as described in the University's strategic plans. The Provost is responsible for leading the academic planning process, ensuring academic quality, and holding the Revenue Center leaders accountable to their finances and yearly projections. The Vice Chancellor for Business and Finance is responsible for ensuring that all units are using their resources efficiently and effectively and within their designated authority. The Office of Business and Finance will collaborate with the Deans and Directors in all units to ensure frequent two-way communication.

- While the redesigned model does push a great deal of financial responsibility and accountability out to the Colleges, the Business and Finance Office will continue to manage and facilitate the overall budget process across the University. The Budget Director serves as the primary liaison between the academic units and the University's budget model/process. Any questions or issues related to the redesigned model should first be directed to this individual.
- Budget Office specific tasks include:
    - With input from the Director of Institutional Strategy and Effectiveness and the Associate Vice Chancellor for Enrollment Services, forecast total undergraduate tuition revenues and student fees for the coming fiscal year.
    - Calculate revenue allocation and indirect cost allocations based on various revenue and cost drivers.
    - Determine College-level allocations based on aggregate revenue projections, financial aid, Support Center budgets, and activity-level data (credit hours, square footage, student FTE, direct expenditures, etc.).
    - Pre-populate allocated revenue line items for all Schools and Colleges, as well as indirect cost allocations, and distribute budget templates to all units.
    - Prepare scenario analyses to understand College-level implications of changes in aggregate activity levels at the University (total tuition and fees, total sponsored revenues, etc.)
    - Co-Chair the Budget Allocation Committee and Co-Chair the Data Analytics Working Group.

6.2 Revenue Center Roles and Responsibilities

Each Revenue Center is responsible for developing strategic and financial plans that fit within the overall academic and university mission and comply with all University and System policies and practices. The leaders of the Revenue Centers must work with the Provost to establish plans that are consistent with the academic priorities of the University as a whole. The Revenue Centers are held accountable for the effective and efficient management of their resources and are required to report periodically on the status of their unit to the Office of Business and Finance and other relevant parties. Revenue Centers facing financial difficulties or budget shortfalls will need to develop near-term and/or long-term mitigation plans with the Provost.

Deans should work to build budgets, plan for changes in activity levels (enrollments, credit hour production, grant funding), and understand the financial implications of various programmatic decisions. College-level tasks include:

- Prepare financial budgets:
  - The redesigned model requires an all-funds approach, inclusive of both revenues and expenses, and is designed to shift the focus of budgeting conversations towards revenue generation.
  - Decisions cannot be fully-informed unless all dollars are on the table for discussion (e.g., use of restricted funds for faculty salaries can free up unrestricted dollars).
  - College goals and outcomes should be discussed prior to focusing strictly on the numbers.
  - The mission and vision should drive the programs, but the budget process should drive the prioritization of decisions as they relate to scarce resources.
- Develop realistic revenue budgets with assistance from the Data and Analytics Work Group ("DAWG"), Director of Institutional Strategy and Effectiveness, and Enrollment Services:
  - DAWG will calculate and distribute a number of pre-populated financial and academic data for each Revenue Center, and ask the Colleges to validate the data
  - Deans should work with department chairs to understand anticipated drawdowns on restricted gifts and endowments, as well as anticipated grant funding.
  - Units should not "budget" restricted or sponsored revenues if they do not intend to spend against them in the upcoming budget year.
- Build expenditure budgets based on total anticipated expenditures related to all fund types:
  - Budgeting direct expenditures will largely follow the traditional forecasting process, though the future approach may ask for more specific categorization of expenditures

  - Contrary to the historical budgeting process, units should develop their direct expense budgets "from the ground up," which should result in a budget that more accurately reflects the actual direct costs of the unit.
  - Understand implications of charging faculty salaries or other direct expenditures to grants and contracts.
  - Expense "contingencies" should not be budgeted, as such an approach masks economic reality and possibly diverts resources.
- Holistically understand financial activities and relationships between various components (e.g. effects of tuition pricing on ability to expand program offerings or changes in indirect cost rates on unrestricted funds)

6.3 Support Center Roles and Responsibilities

Support Centers ensure that the Revenue Centers have the services, tools, and capabilities to fulfill the mission and vision of the University. Leaders within these units are held accountable for managing their expenses and providing optimal levels of service to the Revenue Centers. Support Centers must communicate often with the deans so that each party understands the services being provided and at what level. Throughout the implementation of an Incentive-Based model, the Support Centers should be frequently reviewing their service portfolios to determine if services are still needed and decide what services should be considered base level versus premium level.

Under the committee governance structure, Support Centers must prepare budget proposals each year to illustrate service levels and value provided to the Colleges and other revenue-generating units. This process calls for the support units to present their budgets to the academic units and auxiliaries that are allocated relative shares of those administrative costs. These budget proposals are submitted/presented to the Budget Allocation Committee, which will determine if forecasted expenditures align with historical and anticipated service levels from the administrative units.

- To best ensure that budget proposals are strong, each administrative unit should:
  - Provide a holistic explanation to the Committee about the unit's operations and services.
  - Outline activity drivers, goals, initiatives and service level demands which may impact unit budget.
  - Collect benchmarking data to build case for continued or supplemental funding levels.
  - Provide clear frameworks for programs and services, pertinent financial data (with an emphasis on trends), and explanations of any income streams and their relationships to services and programs.

6.4 Budget Governance Groups

Incentive-based budget models are most effective when trust exists among all academic and administrative stakeholders, as well as clear transparency through all financial processes and transactions. The processes and allocation methodologies described previously are sufficiently complex that strong governance is required to ensure long-term success under a redesigned budget model. To ensure that the model is implemented effectively and administered fairly once in place, several new committees have been created and existing committees' roles expanded. These committees are charged with various governance and ongoing management responsibilities. More specifically, these groups are meant to serve as a system of "checks and balances" with regard to model equity and exist to help safeguard the transparency of all relevant budget policies and processes throughout each budget cycle. It is critical that each committee have adequate representation from both the academic and administrative sides of the institution such that a university-wide perspective informs the work of each group. The primary functions of each group are summarized as follows:

6.4.1 Executive Budget Committee

The Executive Budget Committee (EBC) is composed of the Chancellor's Cabinet and serves as the final decision-making authority for strategic budget planning and execution at UW Green Bay. Its main charge is to work closely with advisory committees and senior leadership to allocate strategic resources in accordance with the mission, vision, and academic plan of the university.

- **Committee Structure:** Executive Budget Committee Membership consists of the Chancellor's Cabinet. All members of the committee will be appointed at the discretion of the Chancellor.
  - Chancellor
  - Provost and Vice Chancellor for Academic Affairs
  - Vice Chancellor for Business and Finance (CBO)
  - Vice Chancellor for Advancement
  - Vice Chancellor for Student Affairs
  - Director of Athletics
  - Executive Director of Marketing and University Communications
  - Chief of Staff

6.4.2 Strategic Budget Committee

The Strategic Budget Committee (SBC) is advisory to the Executive Budget Committee (EBC) and provides leadership in the development and coordination of internal planning processes, including strategic planning and budgeting. The fundamental responsibility of this committee is to ensure that planning occurs in a coordinated, integrated, and timely manner. The committee's approach will emphasize budgeting as an open and transparent process that seeks to:

- assure openness,
- foster communication,
- encourage engagement,
- increase the levels of information and knowledge upon which decisions are based,
- assure routine and systematic analysis of results in order to improve our efforts to meet our mission
- **Committee Structure:** SBC Membership consists of a diverse group of senior leaders and governance representatives at the university. Several positions within the committee will be fixed to assure procedural and unit continuity. Other positions will serve rotating two-year terms to allow for equal participation across key areas such as Revenue and Support Centers. All members of the committee will be appointed at the discretion of the Chancellor.

  Fixed Appointments
  - Provost and Vice Chancellor for Academic Affairs (Co-chair)
  - Vice Chancellor for Business and Finance (Co-chair)
  - Assistant Vice Chancellor for Continuing Education and Community Engagement (CECE)
  - Budget Director

  Rotating Appointments (Inaugural Assignments 2019-20)
  - Dean Representative 1 - AECSB
    - 2020-21 CAHSS; 2021-22 CHESW; 2022-23 CSET
  - Dean Representative 2 - CAHSS
    - 2020-21 CHESW; 2021-22 CSET; 2022-23 AECSB
  - Support Center Representative 1 – IT/Library
    - 2020-21 Enrollment Services; 2021-22 Facilities; 2022-23 Student Affairs
  - Support Center Representative 2 - Enrollment Services
    - 2020-21 Facilities; 2021-22 Student Affairs; 2022-23 Human Resources
  - Branch Campus CEO - Sheboygan
    - 2020-21 Sheboygan; 2021-22 Manitowoc; 2022-23 Manitowoc; 2023-24 Marinette
  - Faculty Senate Representative 1 - CHESW
    - 2020-21 CSET; 2021-22 AECSB; 2022-23 CAHSS
  - Faculty Senate Representative 2 - CSET
    - 2020-21 AECSB; 2021-22 CAHSS; 2022-23 CHESW
  - Academic Staff Representative
  - Student Senate Representative
  - University Staff Representative

6.4.3 Budget Allocation Committee

The Budget Allocation Committee (BAC) functions is an operational committee within the UWGB Budget Governance structure. The BAC will operate in an advisory capacity to the Strategic Budget Committee (SBC) and collaborate with Revenue Centers and Support Units to organize and present information, recommendations, and requests to the SBC as part of the university budget planning process. The group will assist Support Units with the development and distribution of service level standards and key performance indicators. Finally, this group will be reliant upon the Data Analytics Working Group (DAWG) to establish and apply drivers used to inform the budget model.

- **Committee Structure:** BAC Membership is comprised of Central Administration, Revenue Center and Support Unit representatives at the university. Several positions within the committee will serve fixed appointments to assure procedural and unit continuity. Other positions will serve rotating two-year terms to allow for equal participation across key areas such as Revenue and Support Centers. All members of the committee will be appointed at the discretion of the Chancellor.

  Fixed Appointments
  - Budget Director (Co-chair)
  - Associate Vice Chancellor for Academic Affairs (Co-chair)
  - Controller
  - Director of Institutional Strategy and Effectiveness

  Rotating Appointments (Inaugural Assignments 2019-20)
  - Dean Representative 1 - CHESW
    - 2020-21 CSET; 2021-22 AECSB; 2022-23 CAHSS
  - Dean Representative 2 - CSET
    - 2020-21 AECSB; 2021-22 CAHSS; 2022-23 CHESW
  - Support Center Representative 1 - Facilities
    - 2020-21 Student Affairs, 2021-22 Human Resources, 2022-23 Weidner
  - Support Center Representative 2 - Student Affairs
    - 2020-21 Human Resources; 2021-22 Weidner; 2022-23 Public Safety
  - Branch Campus CEO - Manitowoc
    - 2020-21 Manitowoc; 2021-22 Marinette; 2022-23 Marinette; 2023-24 Sheboygan

6.4.4 Finance and Academic Work Group

The Finance and Academic Work Group (FAWG) managed the implementation of the redesigned budget model, assisted in establishing a university governance structure, and assured meaningful communication between the workgroups and the university community. University leadership should work to determine whether this will continue to exist as a formal budget workgroup.

6.4.5 Data and Analytics Work Group

The Data Analytics Working Group (DAWG) is composed of representatives of key data assessment offices at UW Green Bay. Its main charge is to gather, review, analyze, and distribute information in support of the budget development process.

- **Committee Structure:** DAWG Membership consists of 10 individuals and includes:
    - Budget Director (Co-Chair)
    - Associate Provost for Academic Affairs (Co-Chair)
    - Controller
    - Director of Institutional Strategy and Effectiveness

  One representative from each of the following offices:
    - Human Resources
    - Facilities
    - Information Technology
    - Office of the Registrar
    - Office of Admissions
    - Student Affairs

7.0 Annual Budget Calendar

The annual budgeting process under an incentive-based budget model tends to be quite fluid, evolving and developing continually throughout the year. Different points in the process require different levels of effort from various administrative and academic units, and as mentioned in the previous section, numerous administrative offices not typically involved will be required to participate in preparing data used to inform the model's allocations. A high level budget calendar, detailing these steps, will be published annually and included as part of these guidelines as an attachment.

8.0 Budget Process Flow for Decision-making

Effective Incentive-Based Budget Models require an enhanced level of transparency accompanied by a formal approach to developing, monitoring, and refining the budget model throughout the year. As such, the Finance and Academic Work Group has proposed the following four stage process (Appendix B):

A. Collect Data and Develop Assumptions – Each year, the university will be tasked with projecting revenues and expenditures which will form the basis of an integrated budget planning process and strategic planning.
B. Develop Cost Allocations – Projections will be utilized to determine the resources necessary to appropriately fund the Support Centers so they meet the needs of the Revenue Centers throughout the budget year. Additionally, strategic initiatives to enhance Support Center service levels will be identified and considered during this stage.
C. Develop Budget Requests - Budget requests from the Revenue and Support Centers will be reviewed during this stage by the Budget Allocation Committee, Strategic Budget Committee, and Executive Budget Committee. These committees will have the opportunity to review the requests and seek clarification where necessary.
D. Finalize Funding Decisions – Approval of the budget will be made in the final stage with results being communicated to the UWGB community. Revenue and Support Centers will then plan accordingly to execute the budget plan for the upcoming year.

9.0 Appendix

Glossary
Revenue Center – A unit that can influence and generate revenue and is held responsible for its profits and losses. Support center costs are allocated to these centers
Direct Revenue – Revenues that are directly attributable to a unit
General Revenue – Revenues that are pooled centrally by the administration and then allocated to the revenue-generating units
College of Instruction – The college that offers a particular course
College of Record – The college that a student taking a particular course belongs to
Activity Driver – A cost allocation metric used to distribute costs to other units (e.g. faculty FTE, student headcount, square footage)
Tuition Revenue – The basic fee assessed to students for enrollment in undergraduate and graduate credit courses at UWGB
Miscellaneous Tuition – Basic fees assessed for enrollment-related activities
One-Time Funding – One-time (not on-going base funding) revenue received to establish unique joint ventures and collaboration between the community and investors
Start-Up Revenue – Revenue generated from new, innovative programs that is fully allocated to the College of Instruction (for up to three years)
GPR 102 - Base funding generated from Fund 102 State Appropriations
GPR 103 (Branches) – Base funding generated from Fund 103 State Appropriations for Branch Campuses
Collaborative Programs – UWGB courses offered in partnership with other entities to provide a diverse learning curriculum
Credit/Outreach Extension – Revenue generated to promote community engagement and outreach programs

Glossary

Auxiliaries Revenue – Activities that support the mission of the university and provide essential services to the students, faculty, or staff

Fund 136 General Operations Revenue – Other self-supporting operations such as print and copy shops, dairy sales, camps and clinics, etc.

Federal Indirect Cost Reimbursement Revenue – Reimbursements received from the federal government for various costs incurred in administering federal grant programs. (Funding examples include faculty and student research, facility and maintenance costs for research buildings, capital investments, etc.).

Gifts, Contracts, Grants – Restricted funds from private or organizational gifts, federal and nonfederal grants, and contracts that are provided for specific purposes.

Miscellaneous Revenue – Revenue unassociated with a specific revenue account, but allocated to college units. Largely reflect debt service transfers, license plate scholarships, and funds from state agencies.

Segregated Funds – Revenues which, by law, are deposited into funds other than the general fund and are available for the purposes for which such funds are created.

Segregated University Fees – charges, in addition to tuition, assessed to all students for student services, activities, programs and facilities that support the mission of UWGB.

Carry Over Revenue – Unspent GPR spending authority that can be carried forward for future non-salary use.

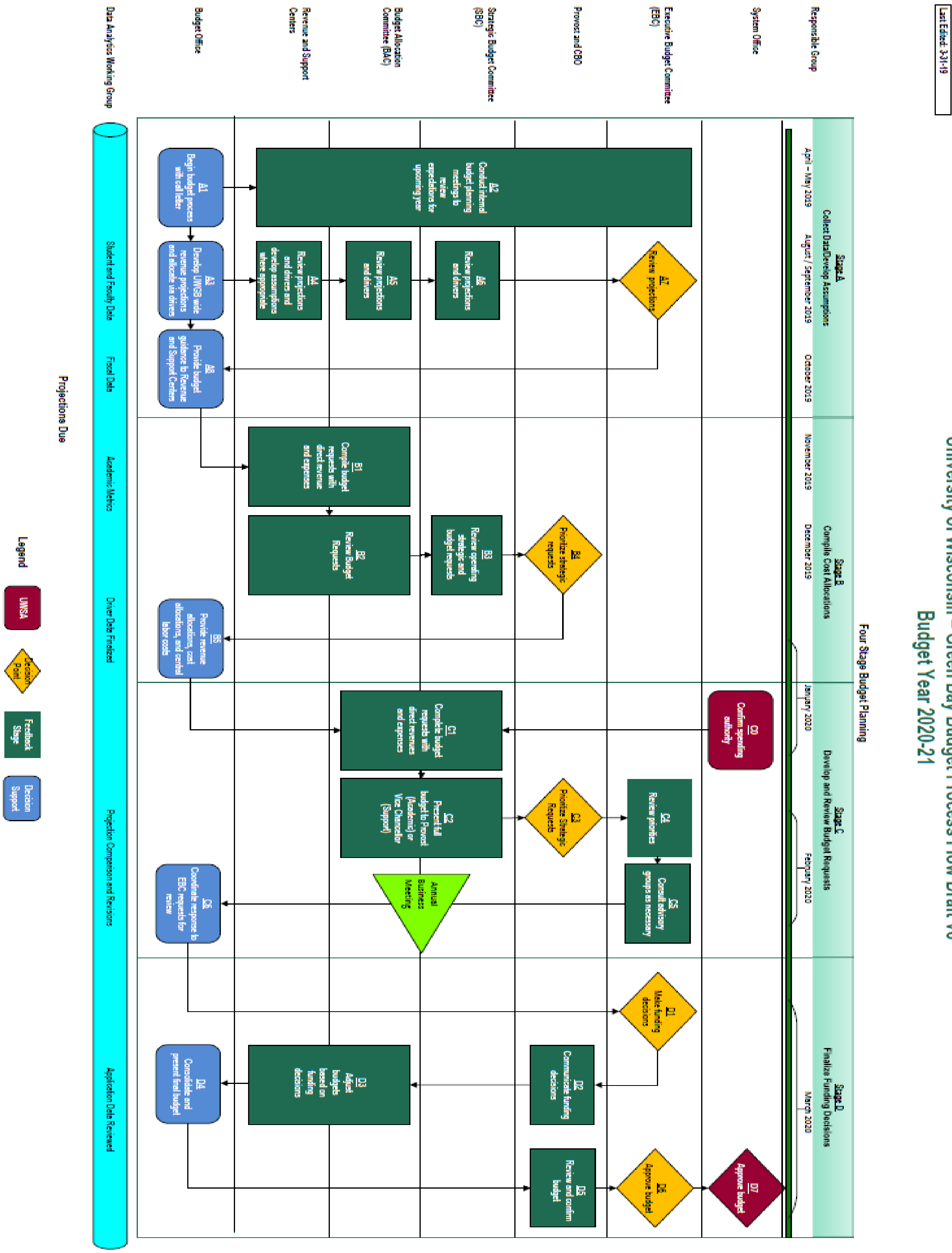
Support Center– Administrative units within a university that provide the services necessary to support the mission.

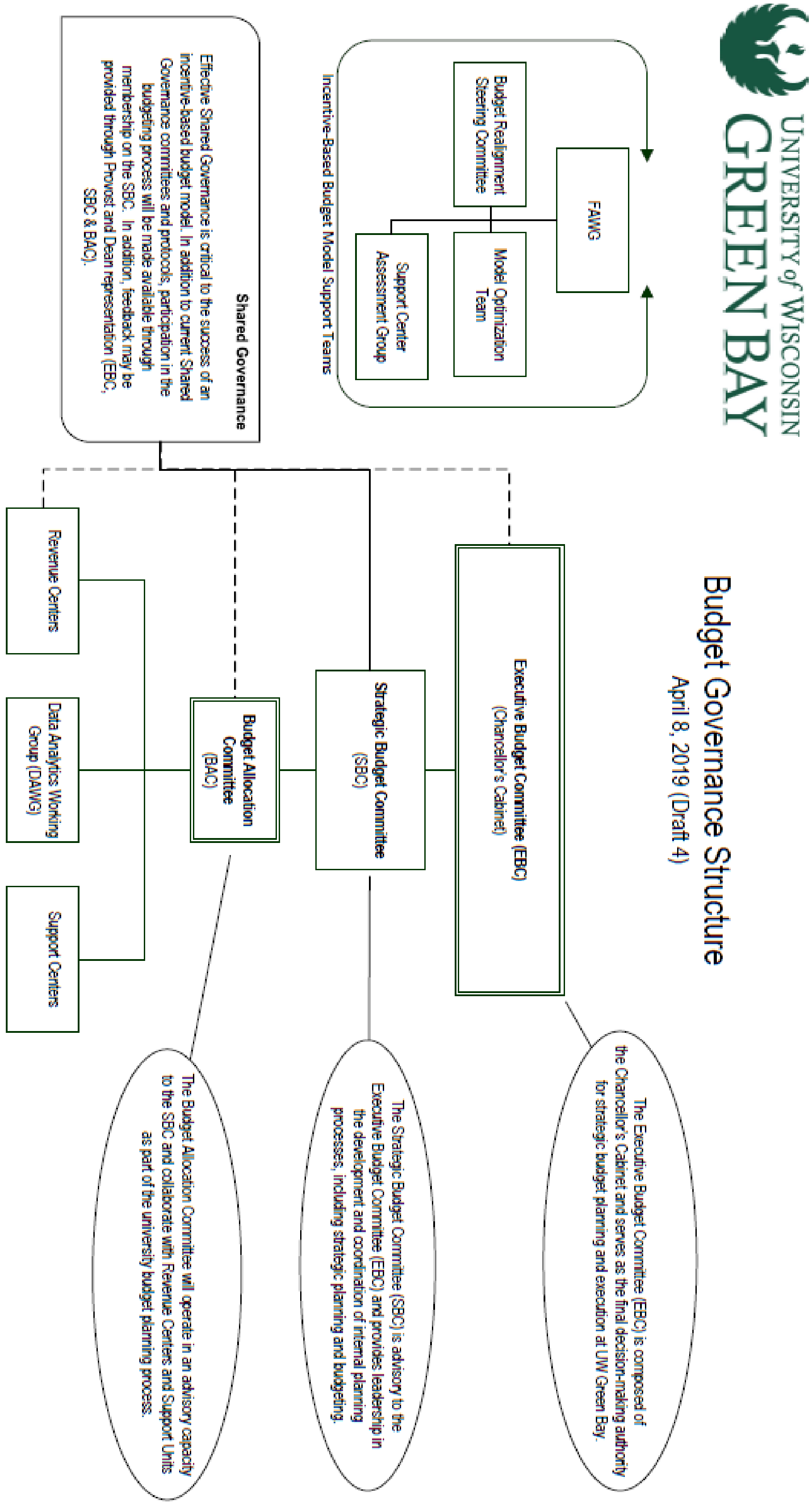
Graduate Credits– The number of total credit hours taken by graduate students in the academic time period. The credits are based on where the credit hours are offered regardless of college.

Student Headcount– A count of the number of students enrolled in a given time period. Part-time students are counted the same way as full-time

Student FTE– A count of enrolled students where each full-time student is counted as one and each part-time student is counted as a portion of one, depending on the number of credits being taken by the student

Glossary
Faculty Headcount– A count of faculty employed by the University in a given time period. Part-time faculty are counted the same way as full-time Faculty FTE - A count of faculty employed by the University where each full-time faculty is counted as one and each part-time faculty is counted as a portion of one, depending on the part-time status Administrative and Support Units (A&S)


Last Edited: 3-31-19
University of Wisconsin – Green Bay Budget Process Flow Draft v6
Budget Year 2020-21
Four Stage Budget Planning
Responsible Group
System Office
Executive Budget Committee (EBC)
Provost and CBO
Strategic Budget Committee (SBC)
Budget Allocation Committee (BAC)
Revenue and Support Centers
Budget Office
Data Analytics Working Group
Stage A
Collect Data/Develop Assumptions
Stage B
Compile Cost Allocations
Stage C
Develop and Review Budget Requests
Stage D
Finalize Funding Decisions
April – May 2019
August / September 2019
October 2019
November 2019
December 2019
January 2020
February 2020
March 2020
A1
Begin budget process with call letter
A2
Conduct internal budget planning meetings to review expectations for upcoming year
A3
Develop UWGB wide revenue projections and allocate via drivers
A4
Review projections and drivers and develop assumptions where appropriate
A5
Review projections and drivers
A6
Review projections and drivers
A7
Review projections
A8
Provide budget guidance to Revenue and Support Centers
B1
Compile budget requests with direct revenue and expenses
B2
Review Budget Requests
B3
Review operating strategic and budget requests
B4
Prioritize strategic requests
B5
Provide revenue allocations, cost allocations, and central labor costs
C0
Confirm spending authority
C1
Compile budget requests with direct revenues and expenses
C2
Present full budget to Provost (Academic) or Vice Chancellor (Support)
C3
Prioritize Strategic Requests
C4
Review priorities
C5
Consult advisory groups as necessary
C6
Coordinate response to EBC requests for review
Annual Business Meeting
D1
Make funding decisions
D2
Communicate funding decisions
D3
Adjust budgets based on funding decisions
D4
Consolidate and present final budget
D5
Review and confirm budget
D6
Approve budget
D7
Approve budget
Student and Faculty Data
Fiscal Data
Academic Metrics
Driver Data Finalized
Projection Comparison and Revisions
Application Data Reviewed
Projections Due
Legend
UWSA
Decision Point
Feedback Stage
Decision Support


UNIVERSITY of WISCONSIN
GREEN BAY
Budget Governance Structure
April 8, 2019 (Draft 4)
FAWG
Budget Realignment Steering Committee
Model Optimization Team
Support Center Assessment Group
Incentive-Based Budget Model Support Teams
Shared Governance
Effective Shared Governance is critical to the success of an incentive-based budget model. In addition to current Shared Governance committees and protocols, participation in the budgeting process will be made available through membership on the SBC. In addition, feedback may be provided through Provost and Dean representation (EBC, SBC & BAC).
Executive Budget Committee (EBC) (Chancellor's Cabinet)
Strategic Budget Committee (SBC)
Budget Allocation Committee (BAC)
Revenue Centers
Data Analytics Working Group (DAWG)
Support Centers
The Executive Budget Committee (EBC) is composed of the Chancellor's Cabinet and serves as the final decision-making authority for strategic budget planning and execution at UW Green Bay.
The Strategic Budget Committee (SBC) is advisory to the Executive Budget Committee (EBC) and provides leadership in the development and coordination of internal planning processes, including strategic planning and budgeting.
The Budget Allocation Committee will operate in an advisory capacity to the SBC and collaborate with Revenue Centers and Support Units as part of the university budget planning process.