Agenda

- Background / Budget Models
- RCM → AIB
- Guiding Principles
- Timeline
- Development Process
- Visual Aid
- Additional Resources
Budget Models

- Align Goals & Strategies With Financing the Mission
- Allocate Revenues (They Don’t Create Them However)
- Increase Budget Transparency
- Incentivize Revenue Growth & Non-Essential Cost Reduction
- Build Strategic Reserves For Major Investments
Budget Model Insights

- Budget Models Don’t Make Decisions People Do
- There Is No Single Budget Model That Works For All Institutions
- Variety in Types of Models
Strategic Plan

- Wildcat Journey
- Grand Challenges
- Arizona Advantage
- Arizona Global
- Institutional Excellence
- [Home | University of Arizona Strategic Planning]
Budget Models

- **Responsibility Center Management**
  - **Focus: Growth**
  - Resources used to support organic growth in areas of high demand

- **Incremental Budgeting**
  - **Focus: Stability**
  - Resources used to continue existing commitments

- **Performance Based Budgeting**
  - **Focus: Strategic Priorities**
  - Resources used to fund institutional priorities or new growth initiatives
Budget Models

Historical Trend

Centralized

Senior leaders able to drive institutional vision through central investments and oversight

Hybrid

Activity-based resource allocation creates financial accountability and automatically shifts resources to areas of high growth

Decentralized

Emerging Trend
RCM 3-Year Review Findings

• Successes
  • Increased course offerings
  • Graduate interdisciplinary program enrollment unchanged
  • Growth in F&A returns and effective rates
  • Better understanding of overall budget of university
  • Stimulated stronger interest by the colleges in recruiting and retaining
RCM 3-Year Review Findings

• Challenges
  • Some evidence of course poaching and program duplication
  • Did not include all instructional delivery platforms
  • Budget challenges in some units entering RCM were largely unchanged
  • Limited funding for research infrastructure and other strategic priorities
  • Managing and planning for year-to-year changes has been challenging
  • Issues with transparency of budget models within and across colleges
  • Complexity in design and execution
Why Activity Informed Budgeting (AIB)?

Keep What Works

- **Activity Drivers**
  SCH, Majors, F&A

- **Transparency**
  All Data and Decisions are Visible to All
Why Activity Informed Budgeting (AIB)?

Address Some Challenges of RCM

- Insert **More Leadership and Strategy** into Process
  Provide New Tools

- **Simplify** the Complex
  Increase Transparency / More Effectively Communicate the Budget

- Bring All Tuition into a **Single Budget Model**
  Online, Distance, Summer
AIB Model Development Timeline

2021
- Guiding Principles
- Working Group Formation
- Design Requests & Conceptual Models
- Stakeholder Advisory Group Formation

2022
- Communications Committee Formation
- F&A Working Group Formation
- Prototype v1.0
- Model Iteration Analysis & Feedback
- Colleges All Funds & Metric Plans FY22-25
- Today: HR Supervisors Meeting 02/17/22
- Model Finalized
Project Leadership

Executive Steering Committee
Working Group
Stakeholder Advisory Group

F&A Working Group
College Committees
Communications Committee

Process

Working & Stakeholder Advisory Groups
Strategic Planning & Budget Advisory Committee (SPBAC)
Deans Council
Steering Committee Decision
AIB Visual Aid

Undergraduate Sources
Net Tuition Revenue (NTR) generated from all Undergraduate delivery platforms.

Graduate Sources
Net Tuition Revenue (NTR) generated from all Graduate delivery platforms.

Facilities & Administrative (F&A)
Reimbursement for sponsored project indirect costs as defined by the Office of management and Budget Uniform Guidance 2 CFR, Part 200, Subpart E.

Other Unrestricted Sources
Revenues included within AIB that do not fall within any of the other outlined classifications.

Local Sources
Revenues that are generated, flow to, and are generally managed by individual departments, colleges, and divisions.

Activity Informed Allocations
Budget allocations assigned within AIB based on a revenue or cost metric. Common activity metrics include Student Credit Hours, Degrees Awarded, and Major Enrollment Headcount.

Strategic Budget Allocations
Ongoing budget allocations assigned within AIB based on the strategies and goals of university leaders.

Investment / Innovation Funding
Fixed-term budget allocations assigned within AIB based on the goals and objectives of specific projects.

Activities:
- SCH, Degrees, Student HC, etc.

Strategies:
- KPIs, Goals, Cost Differentials, etc.

Innovation:
- Competitive Bid, Project Based, ROI

Executive Allocation Decision

College / Division Operating Budgets

*See Definitions Guide for a more detailed explanation of each component.
Find Resources at [aib.arizona.edu](http://aib.arizona.edu)

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Thank you

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