

# Changing For Excellence

## Business Case Goal Completion Report

### Budgeting

#### Report Date

August 2016

#### Context

- The KU budget process focuses on only two sources of funds: state appropriations and tuition revenues.
- Unit budgets are based on the previous years' allocation and do not take into account cost drivers such as enrollment and research.
- Recent years' budget allocations have not included funding for strategic priorities.
- Deans petition the Provost for special funding during the year.
- One-time agreements are made between the Provost and the deans on a one-off basis to increase revenues.

#### Goals

*For each goal answer the following: What percent is this goal complete? If the goal has been met, please describe how it was met. If the goal has not been met, how will you be completing this goal or why will it not be complete?*

- **Redesign the annual budget allocation process to encompass all sources of funding.**
  - *What percent is this goal complete?*
    - Although adaptations are likely to be considered and implemented in the future, the all funds concept is 100% implemented.
  - *If the goal has not been met, how will you be completing this goal or why will it not be complete?*
    - Budget discussions for 2013, 2014, 2015, and 2016 (under Provost Vitter and interim Provost Rosen) utilized the all funds concept.
    - Provost Bendapudi has requested that we re-envision the compact meetings. However, it is expected that the all funds concept will continue to be part of the budget discussions between the Provost's Office and the deans/vice provosts.
      - Increased transparency and visibility into the financial aspects of the various units. The ability to get a high level overview of all funds, including KUEA, KUCR, and restricted fees funds has been useful and an informative addition to the compact discussions.
    - Note – it is anticipated that BudCast will be utilized as the reporting source for the 2017 budget discussions. However, with effort directed toward “Financial System Transformation,” or implementation of the new Oracle suite of financial systems – Financials in the Cloud (FITC); PBCS (Planning and Budgeting – Cloud Services); and BICS (Business Intelligence Cloud Services), future enhancements to BudCast are not expected.
- **Inform budget development with cost drivers and quality metrics to enable comprehensive budget understanding and budget transparency for all stakeholders.**
  - *What percent is this goal complete?*
    - 80 to 85% Work continues

- *If the goal has not been met, how will you be completing this goal or why will it not be complete?*
  - Using data already housed in AIMS for credit hours, degree production, research, and other metrics
    - Will continue dialogue with Leadership Council, Provost Office, OIRP, and other key constituencies to further define and articulate metrics
    - Budget reductions have impeded progress on ability to reward growth
    - With rollout of Financial System Transformation, will plan to make these measures available in BICS and to develop dashboards that will better enable tracking and monitoring of the metrics.
  - The metrics listed above have been central to both conversations and calculations concerning university budget allocations. Because of the budget situation, there have been limited opportunities to increase budgets of the various academic units. However, these metrics have been applied as part of a data driven model to allocate budget reductions – sheltering those areas with (higher) growth, and apportioning units with decreases in key areas such as SCH production a higher portion of the reduction target(s).
- **Create budgetary incentives to grow enrollment and sponsored research, and to reward accountability.**
  - *What percent is this goal complete?*
    - 80% Work continues
  - *If the goal has not been met, how will you be completing this goal or why will it not be complete?*
  - This project closely linked to item above (cost drivers and metrics)
  - Growing enrollment (updated 08/24/2016)
    - Three schools (Business, Engineering, and Law) are operating under a funding model whereby credit hours (and associated tuition revenue) are tracked against a baseline. (Either a portion of the tuition revenue above the baseline is provided back to the school, or funding is returned to the Provost’s Office if enrollment drops.)
    - KUAAP – KU Academic Accelerator Program. The university partnered with Shorelight Education to recruit undergraduate international students to KU. Our ultimate goal is to double international enrollment. We welcomed our first cohort of students in Fall 2014.
      - Online Enrollment
        - The School of Education is partnering with Everspring, an educational, technology, design and services firm, on a program which will allow working professionals to further their education, advance their careers and make new innovations in the field of education without requiring their presence on campus.
        - The School of Business has also partnered with Everspring and has rolled out an online MBA program beginning Fall 2015.
        - Beginning Fall 2015, the College of Liberal Arts and Sciences has offered an online-degree completion program for two existing degree/major options (Liberal Arts & Sciences-BGS degree and Psychology-BGS degree). These programs did not involve a partnership with Everspring .
        - The School of Journalism developed an online program that was implemented in Fall 2016.

- Beginning Fall 2012, the Provost's Office had been compensating units that taught online classes (other than those mentioned above) at the rate of \$100 per credit hour. Under the notion that these credit hours were in addition to the SCH taught previously, Budget transfers were provided each semester based on credit hours enrolled. During FY 2016 the protocol was revised to provide compensation to credit hours taken by students who were enrolled in online classes only. Analysis revealed that some online classes were replacing face-to-face classes taken by our Lawrence based students.
- KU Edwards Campus. The Provost Office has been working with Edwards leadership to develop a more transparent funding model that advances the goals of the Edwards campus and academic unit partners. And, one which will not cause fiscal stress for the academic units, Edwards, or overall university. The model that was suggested by Edwards for FY 2017 seemed to have consensus and the College of Liberal Arts and Sciences made changes to the FY 2017 budget to reflect the new model. But, at the last minute, concerns from the other deans prevented overall implementation.

Overall note. The protocols we use to calculate earnings to return to units who grow has many attributes. Simplicity is not one of those attributes, Budget staff, in the KU Budget Office and within the decentralized units, would appreciate having a simpler, more uniform model to use when determining and allocating the share of tuition revenue associated with enrollment growth.

*Overall, how did goals change during Changing For Excellence and what goals were added or removed:*

Budget Reductions in each year since FY 2014 have redirected focus within the budget incentive area from a growth model to one of retraction. FY 2017 budget situation continues to undergo analysis (pending 20<sup>th</sup> day enrollment for Fall 2016 and monitoring state general fund revenue) at the present time.

### **Challenges**

Original:

Deploying a new budget model represents a significant change for deans and administrative leaders at KU.

- Direct involvement of the Provost and senior leadership in the implementation of changes to the budget process will be required to secure buy-in and support of the new process.
- The future budgeting system will require KU budget officers to have certain core competencies in accounting and finance and use of reporting tools in order to provide the additional support that will enable units and schools to manage budgets on an ongoing basis.
- Concerns from departments, deans, and vice provosts that carry-forward balances in state and endowment accounts may be "swept;" ongoing communication, transparent treatment of funds and consistent implementation will be required to address such concerns and to enable a successful implementation.

*Describe if these challenges were encountered during Changing for Excellence and what unanticipated challenges occurred during the process:*

- The business case has enjoyed direct involvement and support of senior leadership as we have endeavored to make the cultural shift regarding the all funds model.

- BudCast has been provided to campus departments as an enterprise wide tool (reducing the need for departmentally developed “shadow” systems) that would allow budget officers to better manage resource – to provide a more robust tool to track actual expenditures and salary/OOE forecasts.
  - In the monthly “CFO” (Campus Financial Officers) meeting, comptroller Katrina Yoakum has included various guest speakers from across campus. These speakers have helped broaden awareness of the issues facing the university and provided a better context of the environment in which we work.
  - Continued development in accounting and finance is needed.
- As mentioned above, Budget Reductions have undermined our ability to reward growth with these incentives. However, as reduction targets have been allocated, budget metrics have been used so that units with better “performance” were allocated a smaller portion of the reduction target than units with average or below average performance.
- Concerns about sweeping of carry forward balances appear to be mitigated. However, such concerns may resurface during periods of budget uncertainty.

### **Opportunities**

- Implementing a new budget model will provide the data and context needed for schools and units to strategically spend annual funds. Funding for strategic priorities outlined in Bold Aspirations will be a primary focus.
- Redesigning the budget process at KU will identify funds that can spent strategically by the schools and units to further KU's goals. Redesign will also enable conversations between schools and the college that focus on all sources of funds.
- Implementation of an all funds budget process at KU is low risk and will be a key enabler of cost savings and revenue growth in other administrative areas as all sources of funds are employed in the budgeting process and resources are aligned with the strategic goals of the institution.

*Describe if these opportunities occurred during Changing for Excellence and what unanticipated opportunities were realized during the process:*

- All of these opportunities have surfaced during the Changing for Excellence rollout.
- No major opportunities that were unanticipated come to mind
- There is a need to continue expanding financial literacy of campus finance managers across campus. Administration and Finance units are discussing how formal and informal training opportunities can be employed to facilitate a better understanding for those involved in the budget management function at various levels.
  - Need to more fully develop how we are going to provide and require core competencies in budget personnel.
  - Need to explore with HR the possibility of tracking (“required”) training targeted toward budget officers through the Learning Management System. The Budget Office would welcome the opportunity to participate in the selection process when budget manager positions at the dean and/or vice provost levels are filled.

### **Changing For Excellence Summary**

*Summarize the process to date and lessons learned. Provide specific future direction, next steps, and strategy for this business case. Indicate what metrics will be used to measure success:*

The all funds model has been a cultural shift for the Lawrence campus. We will continue to utilize the all funds concept during the budget discussions and work to improve report formats that will enable meaningful conversations of the sources and uses of university funds.

Battling budget reductions during the CFE implementation has undermined our ability to reward growth.

Since the last update, the Lawrence campus has undertaken a Financial System Transformation – moving to the cloud with various Oracle products. As referenced at <https://fst.drupal.ku.edu/> that transformation does / will provide the following:

Oracle Cloud is unlike anything we have ever done before, which makes it both exciting and challenging. What is it? Oracle defines it as “a style of computing based on shared, elastic resources delivered to users in a self-service, metered manner using web technologies.” More importantly, what will it do for us? Oracle Cloud will provide three integrated systems: Financials in the Cloud (FITC) replacing PeopleSoft FSKU, Planning and Budgeting Cloud Services (PBCS) replacing NIBS and UBUD, and Business Intelligence Cloud Services (BICS) replacing BudCast and DEMIS financial reporting.

Our current PeopleSoft financial system was implemented in the fall of 2008, and, while it has served us well, it is highly customized making upgrades difficult and expensive to maintain. Moving to Oracle Cloud will modernize our systems, simplify implementation and future upgrades, require fewer IT infrastructure and system administration resources, and cost us less money over time. Instead of building a system, we will be moving our business processes into a delivered system that is highly configurable and based on modern best practice.

The target completion date of this project is July 1, 2017, which is aggressive but also reasonable given the people involved and the allocated resources. A significant amount of work has already been done. Seventeen teams consisting of 88 team members have been formed and meeting for several months. Implementation partners have been selected and are on-site to provide their expertise and help guide us every step of the way.