



Bloomington Faculty Council Briefing

IUB: Budget Process

M.A. Venkataramanan and Aimee Heeter - November 16, 2021



RCM

(Responsibility Centered Management)

RCM Philosophy

- Devolution of authority to academic units
- “Fiscal Federalism” principle following general university structure of central planning
- Fiscal autonomy for academic units: Resource strategy alignment delegated to academic units
- Campus fosters inter-unit collaborations and cooperation and funds common good services
- Units know “best”
- It is merely an allocation system.
- Winners and losers in both centralized and decentralized systems.



IUB RCM Fundamentals (1990)

- Income from undergraduate, graduate, contracts & grants, indirect cost recovery are assigned to units that generate them
- Administrative cost at campus & university level are covered through assessments to academic units (Popularly known as taxes)
- State appropriations were given to units based on how it was utilized at that time to make those units sustainable
- Future increases and decreases in appropriations are passed on to units proportional to original state appropriation allocation
- Every five years the RCM system will be evaluated by a committee composed of members from administrators, deans, faculty, staff, & BAC
- Recommendations will be presented to provost, president & trustees and, upon approval, implementation plans will be developed



IUB RCM First Two Decades (1990-2010)

- **1996:** Provost fund developed
- **1997:** Lag time for UG tuition changed to two years
- **1998:** 5% ICR given to OVPR
- **2000:** Increase in size of provost funds
- **2002:** Lag time for UG tuition changed to one year
- **2003:** Adjustments made for out of state/resident mix
- **2005:** Assessment model changed and additional provost funds added
- **2010:** More specific cost drivers added for assessment



IUB RCM Last Decade (2011-2021)

- **2013:** Undergraduate financial aid taken off the top rather than assessed (Giving increased predictability for academic units)
- **2014:** Undergraduate revenue distribution changed to \$/credit hour instead of market share for better planning and decision making. Development of strategic funding to cushion income fluctuation from tuition and state appropriations. Undergraduate revenue moved to a three-year moving average to cushion fluctuations in undergraduate enrollments.
- **2017:** Provost funds moved from assessments to state appropriation increases & strategic funding (Giving more stability for units). Move rentals to assessments, manage doctoral students taking courses from other units through a central mechanism (In the works)





Budget Overview

IUB Budget Process & Timelines

- Provost office & BAC meet in Fall and plan budget conference
 - Timeline
 - Availability of provost funds for allocation to units (base & cash)
- Academic & Support units project income & expenses for five years along with requests for provost funds
- Provost office and BAC budget conferences held in Spring
- BAC recommends provost fund allocation in a prioritized manner (outside the scope of RCM mechanisms)
- Provost makes allocations taking BAC recommendations and presents the details to BAC and BFC



Weaknesses

- Fiscal levers are limited for campus and university to be able to strategically change the course
- Duplication of efforts can happen without strong central control
- Campus level new big initiatives are time consuming
- Requires heavy responsibility and planning at unit level



Opportunities

- All budget systems constantly mutate & evolve
- The five-year formal review and continuous implementation review allows RCM to adapt with broad participation
- Innovations can help redundancy
- Culture, collaboration, and commitment to institution makes system resilient
- While provost fund magnitude is small (\$3M - \$5M on a \$1.2B budget), like a rudder, it can have a big impact on changing the strategic course



Strengths

1. Colleges and schools are decision-makers with a data rich environment. This allows units to be more informed and thus better able to respond to changes in their unique environments. This incentivizes innovative behavior, entrepreneurship, and experimentation.
2. Incentives are provided for growth and development of academic programs that both meet and, just as importantly, anticipate student needs.
3. RCM promotes the prudent management of costs while incentivizing innovation.
4. RCM at IU Bloomington aligns authority with fiscal responsibility, focusing accountability on the academic leadership (deans and associate deans). This is important because, prior to adoption of RCM at Indiana University, academic authority was not linked to fiscal responsibility.
5. Finally, indirect costs that are diverted to support academic administration are more transparent and discernible, permitting faculty budgetary affairs committees to more easily review and comment on their allocation and growth.



Pandemic Impacts on Budget

1. 5% cuts made up for loss in revenue
2. State appropriation cuts were able to be absorbed through reserves + 1/3 from academic units.
3. Auxiliary losses for RPS are covered by federal stimulus (HEERF*) funds, etc.
4. Testing and quarantine costs are covered by federal stimulus (HEERF) funds. (No academic funds were used)
5. Loss of academic revenue (grad international) was covered by 5% cuts

**HEERF (Higher Education Emergency Relief Funds)*



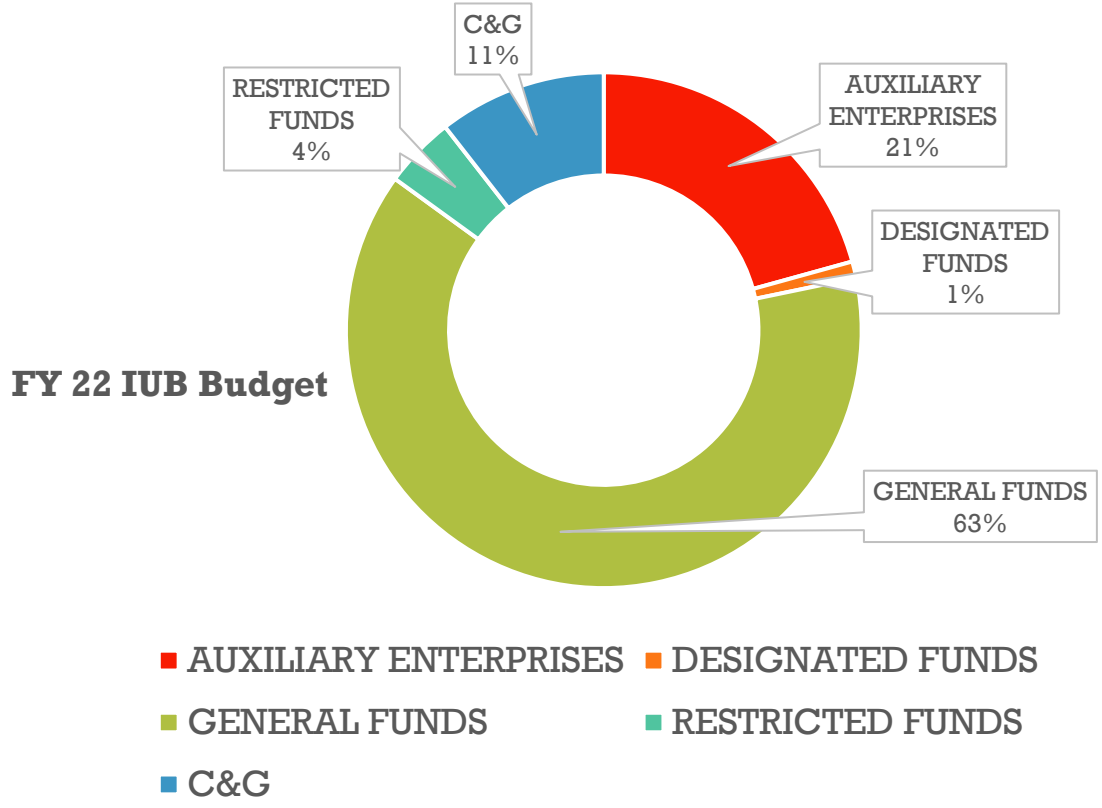
FY23 Budget Plan

1. Expect same class size as FY22
2. Applications are strong; increase of 10% to date
3. Budget is projected to be stable
4. Planning in process for increasing scholarships/financial aid for students with financial need URM
5. Increased funding for campus faculty diversity hires complementing president's initiative
6. Focus on mental health initiative, research and graduate student support



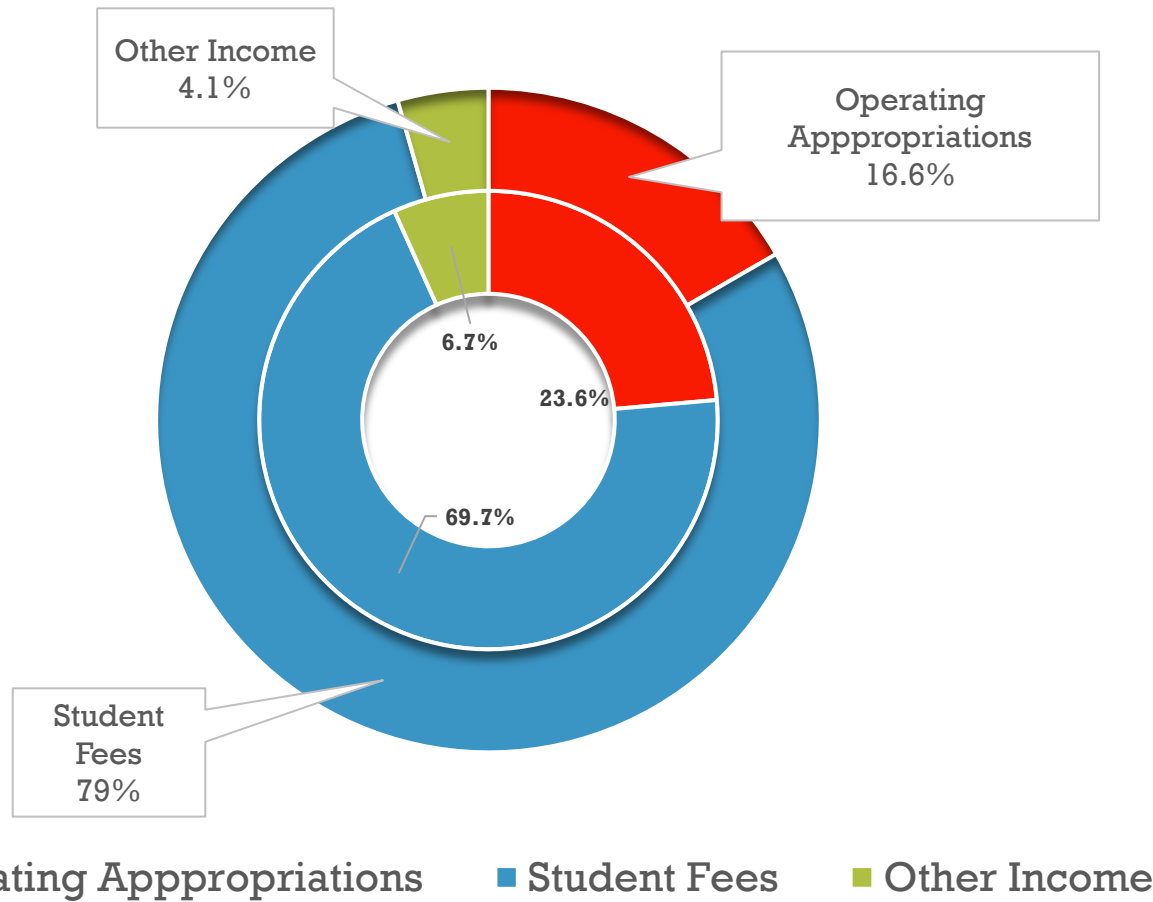
Budget at a Glance

FY 22 BL Campus Budget by Fund Group	
Fund Group	FY 22 Budget
Auxiliary Enterprises	\$ 396,708,854
Designated Funds	\$ 19,913,983
General Funds	\$ 1,211,496,224
Restricted Funds	\$ 85,609,598
Total	\$ 1,713,728,659
C & G	\$ 202,000,000
Grand Total	\$ 1,915,728,659



Changes in Operating (GF) Income

IUB GF Income Budget 2010-2022





Thank You
Questions