

Resource Allocation Workgroup

May 30, 2013

The first meeting of the Resource Allocation Workgroup began with introductions, followed by an overview from Michael Reid, Vice-President for Administration and Finance. Michael advised the group to remember three things as they begin the task of resource allocation for UM. He gave the analogy of “making sausages,” stating:

- 1.) The group is tasked with creating a tool that will be beneficial to UM in future years. The tool needs to be flexible—not an unchangeable structure. Otherwise, the tool will be discarded with the first obstacle that it encounters. Having been through this process at three previous institutions, he has noticed a tendency for committees to delve deeply into details in the beginning of the process, followed by a tendency to adjust with a very broad approach, finally culminating in a blend of the two.
- 2.) Due to the complexity of the task at hand, Mr. Reid recommends that the committee begin with a budget model used by another institution. The committee could examine the construction of that budget model to determine what components, if any, might work at UM. This budget model incorporates many budget practices used in higher education, such as zero-based budgeting, base-plus or incremental budgeting, and responsibility center management. The budget model uses benchmarks and provides for adjustment for high-cost programs. Furthermore, it incorporates a hold harmless agreement, giving units up to three years to achieve their targeted budget. By examining this model, the group may be able to get a quicker start on developing their own methodology as they evaluate these different components.
- 3.) The committee should bear in mind that there is no “one size fits all” approach when it comes to creating a budget model. Therefore, the model needs to recognize the different functions and components of an institution and be flexible enough to allow for changes!

Jim Hirstein (co-chair) talked about the six alternative budget models for colleges and universities. They are incremental or base-plus budgeting, zero-based budgeting, activity-based budgeting, responsibility center management, centralized budgeting, and performance-based budgeting. A printout defining each model and describing its benefits and drawbacks was distributed to each committee member.

Larry Gianchetta (co-chair) opened discussion by directing the groups’ attention to the charge that was distributed to each member and asked them to communicate three things from the charge that resonated with them. Comments included how to accommodate units such as the Mansfield Library, Athletics, IT and Research. Josh Herbold observed that the committee should be guided by UM’s Strategic Initiatives. He also recommended that the committee use guiding principles such as those used at Cambridge University, which he later emailed to all committee members (attached).

Larry Gianchetta cited the committee’s charge to “establish a mechanism to build an institutional contingency fund with corresponding policy on when to utilize these funds.”

Scott Whittenburg mentioned that examples of best practices for contingency funds can be found at the National Association of College and University Business Officers (NACUBO).

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Beckie Christiaens referred to a scoring mechanism used by the City of Missoula, in which requests for contingency funds were scored by a predetermined set of standards (ex., public safety, job security), which significantly simplified the process.

When asked whether the policy for accessing contingency funds was an institutional one or one made by the Board of Regents, Ed Wingard pointed out that BOR policies regarding Financial Affairs can be found at <http://mus.edu/borpol/bor900/bor900.asp>. On this page, there are policies for accessing reserve contingencies as a hedge against low enrollment. If not needed, the excess converts to an unallocated reserve.

Scott Whittenburg suggested that it might be advisable for UM to be more diversified in its revenue streams. Using a recent example of budget cuts faced by the University of North Carolina, he recommended that UM decrease its dependence upon state funds.

Discussion arose concerning the difference between a contingency fund, which was defined as a fund set aside for use in the given fiscal year, versus a “rainy day” fund, defined as accumulating over a period of multiple years.

According to Ed Wingard, UM does not have a reserve for scholarship funds, whereas Montana Tech and MSU (?) do.

Discussion then centered on the budget model template that OPBA is currently preparing. The committee would have an opportunity to review this template at the next meeting. Dawn Ressel advised that the committee should set aside a full 1.5 hours to begin to understand the template.

The next meeting will be on Friday, June 7 from 2:00-3:30 PM in the GBB Executive Board Room (pending confirmation from Jamie).