Alternative Budget Models

Question #4: Should SIUE move to a different budget model and, if so, what principles should guide this model?
Our Budget

SIUE Sources of Revenue FY 2015
$ Millions

- Tuition, $89.30, 33%
- Federal Grants/Contracts & ICR, $35.40, 13%
- Student Fees, $28.80, 11%
- State Appropriations, $59.90, 22%
- Housing, $19.90, 7%
- Purchases/Services, $33.80, 12%
- Private Grants/Contracts, $2.20, 1%
- State Grants/Contracts, $1.90, 1%

Total Budget $271.2 million
State vs Non-State Revenue

- State Revenue: 55%
- Non-State Revenue: 45%
Breakdown of Tuition vs Appropriations

- Tuition: $89.30, 60%
- State Appropriations: $59.90, 40%
Characteristics of Budget Models:

1. Level of Decision Making
2. Transparency
3. Degree to Which Budget is Incentive-Driven
4. Cost vs Revenue Driven
5. Flexibility
Basic Continuum of Budget Models

- Zero-Based Budgeting
- Formula-Based Budgeting
- Incremental Budgeting
- Performance-Based Budgeting
- Responsibility Centered Budgeting
Short Description of Each Model

• Zero-Based Budgeting: Each year a unit’s budget begins at a zero baseline.

• Formula-Based Budgeting: Each year a unit’s budget is determined by a specific formula. May be based on enrollment, revenue, costs, etc.

• Incremental Budgeting: Each year a unit’s budget starts with the previous year’s budget as a baseline.
Short Description of Each Model

Performance-Based Budgeting: Each year a unit’s budget is determined based on certain performance measures.

Responsibility Centered Budgeting: Each unit is treated as a separate entity. The unit’s budget is based on revenue generated by the unit.
What Type of Model Does SIUE Currently Use?

• Our current budget model is a version of incremental budgeting

• Each unit’s budget this year is basically their budget from last year plus or minus incremental revenue

• It is in the middle of the budget continuum
How do Alternative Models Compare?

Level of Decision Making:

• Zero-Based: Central
• Formula-Based: Central
• Incremental: Central
• Performance-Based: Unit level
• Responsibility Centered: Unit level
How do Alternative Models Compare?

Level of Transparency (to all units):

• Zero-Based: High
• Formula-Based: High
• Incremental: Medium
• Performance-Based: High
• Responsibility Centered: Low
How do Alternative Models Compare?

Level of Incentives:

• Zero-Based: Low
• Formula-Based: High
• Incremental: Low
• Performance-Based: High
• Responsibility Centered: High
How do Alternative Models Compare?

Cost or Revenue Based:

• Zero-Based: Cost
• Formula-Based: Either
• Incremental: Cost
• Performance-Based: Revenue
• Responsibility Centered: Revenue
How do Alternative Models Compare?

Flexibility:

• Zero-Based: Medium
• Formula-Based: Low
• Incremental: Medium
• Performance-Based: Low
• Responsibility Centered: High
Budget Models Summary

Zero-Based:
- Centralized
- Transparent
- Little Incentive
- Cost-Based
- Some Flexibility

Formula-Based:
- Centralized
- Transparent
- High Incentive
- Cost- or Revenue-Based
- Little Flexibility

Incremental:
- Centralized
- Some Transparency
- Little Incentive
- Cost-Based
- Some Flexibility

Performance-Based:
- Unit Level
- Transparent
- High Incentive
- Revenue-Based
- Little Flexibility

Responsibility Centered:
- Unit Level
- Not Transparent
- High Incentive
- Revenue-Based
- High Flexibility
Discussion Questions

• What are the biggest problems associated with SIUE’s current approach to budgeting?

• What attributes of the budget alternatives that were described do you particularly like or don’t like?

• If we are to change our approach to budgeting, what principles need to be considered as the new budget model is designed?

• We’ll begin the reporting-back process in about 20 minutes