

Support Unit Compact/Budget Instructions – FY14 Supplement - Reallocation Planning

In September, all support units received compact/budget instructions that identified a target for reallocation based on .8% of the FY13 adjusted O&M/State Specials/Tuition allocation base included in the approved budget (adjusted for the elimination of institutional financial aid programs, utilities, leases, etc.). The instructions further indicated that reallocation plans should be focused as much as possible on reductions to “administrative operations and costs” and promised that a separate communication would outline the definitions of “administrative costs” and the application of that definition to each unit’s budget.

In the last month, much work has been done to define and categorize the University’s costs to develop a shared understanding of University spending (where the money goes) and improve our ability to set spending benchmarks and monitor changes in spending over time. Through that exercise, the categories of spending have been identified as the following:

- Direct Mission Delivery – the expenses of the ‘**doers**’ of the mission
- Mission Support & Facilities – the expenses to ‘**support**’ the delivery of mission activities
- Administrative Oversight – the expenses for the ‘**leadership, direction, control and management**’ of the mission

While the original FY14 Compact/Budget Instructions asked units to focus reallocations on “administrative costs”, we are now shifting and asking you to build plans focused on reducing costs in the Mission Support & Facilities, and Administrative Oversight categories of spending. Please respond to the specific directions in section F2 of the Compact/Budget Instructions, based on the additional information provided in these supplemental instructions.

Included with these instructions are two additional documents related to your unit (two tabs in one excel workbook). The first is a one page summary of your FY12 expenditures divided into each of the three categories above. The summary has two sections – the top for personnel expenses and the bottom for non-personnel expenses. The following points about the methodology will help in understanding the numbers:

1. Expenses for direct construction activity, debt, agency fund activities, ISOs and cross-unit charges (cost pools, enterprise tax, etc.) were excluded.
2. After the exclusions, personnel expenses were sorted and analyzed based on job code information, not by function or fund designation. The entire list of job codes was reviewed and individual codes were placed in one of the three categories based on an understanding of the job by its title. Where the job titles are not very descriptive of the work being done (e.g. “coordinator”), a judgment was made as to the most appropriate placement. Some examples of jobs within each category are:

Direct Mission Delivery – tenured professor, scientists, health science professionals, RAs, TAs, Extension Educators

Mission Support & Facilities - (all Non-Supervisory) – audit/finance/HR/info tech/legal, clerical support, advisors, librarians, curators, coaches, coordinators, “skilled generalists”

Administrative Oversight – President, vice presidents, chancellors, deans, associate deans, department chairs & heads, directors, supervisors and managerial titles

For the complete list of your FY12 personnel expenditures by job code and category, please review the second tab in the excel workbook sent with these instructions.

3. Student aid expenses (defined by account code) were pulled out of the analysis and identified in a separate and unique subcategory.
4. After the exclusions, non-personnel expenses were categorized based on a combination of function and account code considerations.
5. The non-personnel costs assigned to Direct Mission Delivery were all the expenses with function codes of Instruction, Research, and Public Service EXCEPT FOR expenses with account codes of utilities, rents, leases, and repairs and maintenance – which were included in full in the category of Mission Support & Facilities. In addition, expenses with account codes of subcontracts and participant expenditures, regardless of function code, were assigned to Direct Mission Delivery.
6. Consulting and professional services expenditures with a “non-mission” function code (Academic Support, Student Services, Operations & Maintenance of Plant, Auxiliary Operations, and Institutional Support) were allocated in full to Mission Support & Facilities.
7. All of the other non-personnel expenses with those “non-mission” function codes (supplies, services, misc. expenses and equipment and other capital asset expenses) were divided proportionately between Mission Support & Facilities and Administrative Oversight based on the personnel cost distributions between those two categories (based on job codes) – so these expenses essentially followed the personnel expenditures in those two categories.

A summary of this analysis at the University level was presented to the Finance & Operations committee of the Board of Regents on October 11. In support of the President’s Operational Excellence initiative and as part of the FY14 budget framework, this analysis will now provide a baseline for understanding the reallocation plans requested from each unit as part of the budget process.

In responding to section F-2 of the Support Unit Compact/Budget Instructions related to reallocations, please focus your plans on reducing costs in the categories of Mission Support & Facilities and Administrative Oversight as much as possible. It is still true that for some support units, 100% of the expenditures will be within these two categories, so by default, the corresponding reallocation plans will comply with the expectation to reduce these costs. **For other units, where there is a mix of expenditures within all three categories, if the reallocation proposals impact the Direct Mission Delivery portion of the budget, you should provide rationale for this decision and indicate why the decision was made to move beyond Mission Support & Facilities or Administrative Oversight.** There are many units where it will be impractical to fully avoid reductions in the Mission Delivery category, or for which a broader strategic reallocation plan would include reallocations in all three cost categories. Providing the rationales or broader reallocation plan in your response will be critical in understanding your proposal. Please note – maintaining the University’s commitment to student financial aid remains a top priority. *Therefore, all types of financial aid for students (scholarships, fellowships, block grants) whether for undergraduate, graduate or professional students, must remain protected. As mentioned above, student aid expenditures have been set aside and not included in any of the three spending categories explained in these instructions: they are not in the reallocation base, not in the spending categories, and should not be cut.*

If you have questions regarding the information on your unit included in the excel workbook documents or questions about the expectations regarding reallocations, please contact your budget officer.