



# Alternative Budget Models

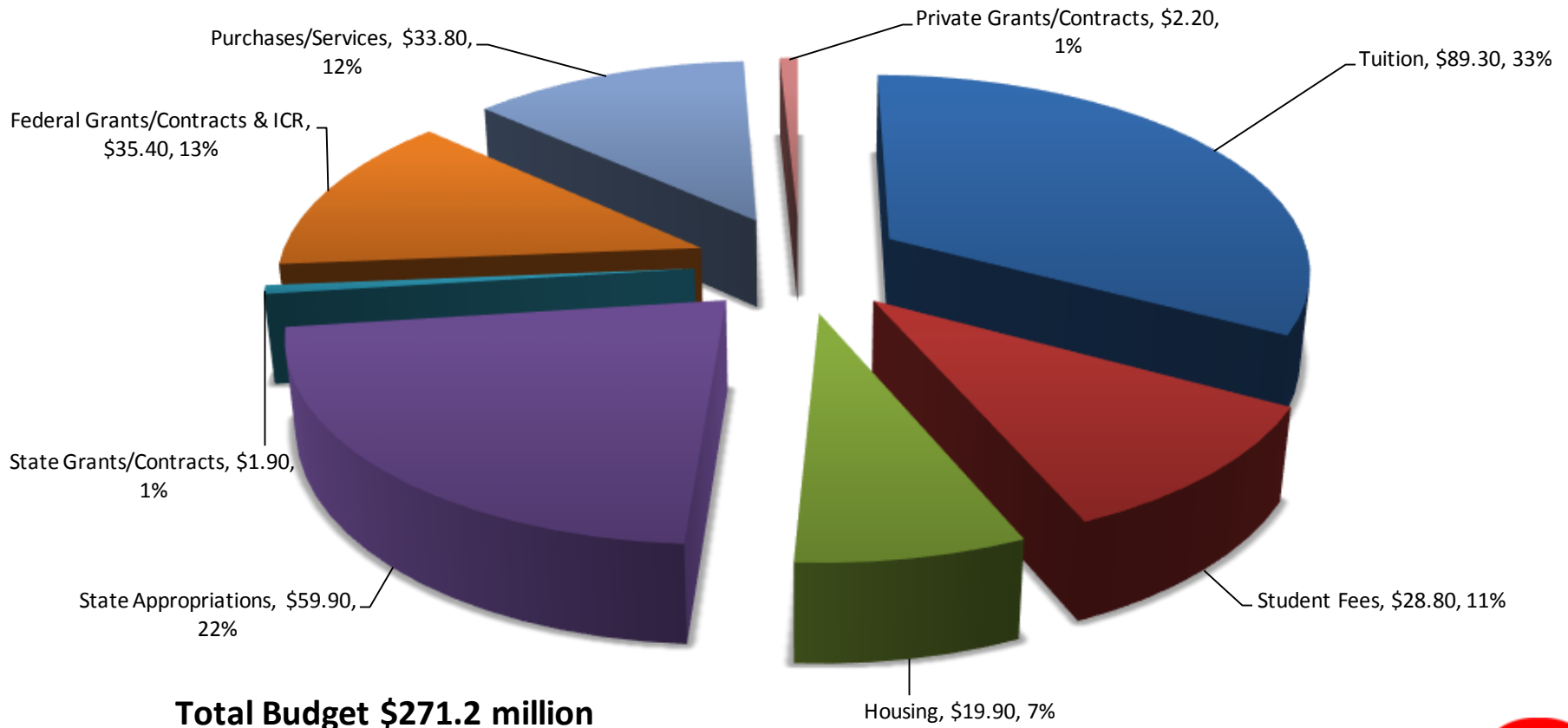
Question #4: Should SIUE move to a different budget model and, if so, what principles should guide this model?





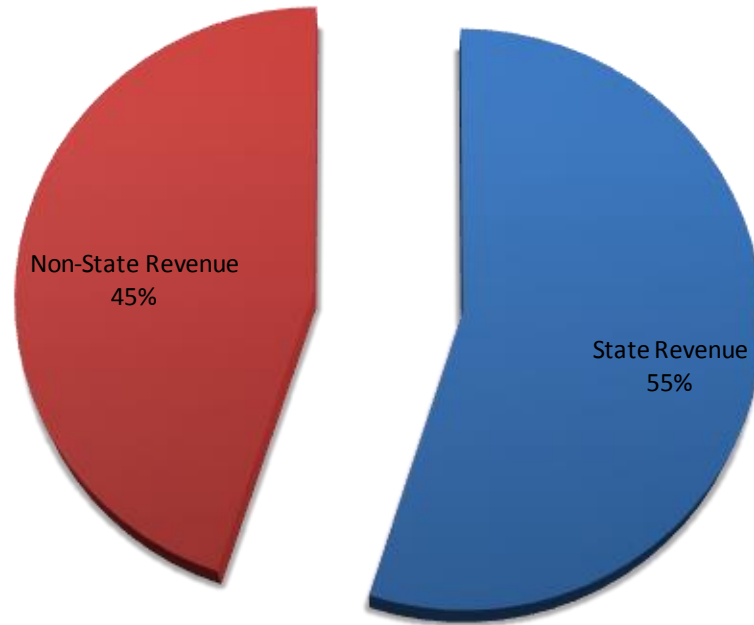
# Our Budget

## SIUE Sources of Revenue FY 2015 \$ Millions



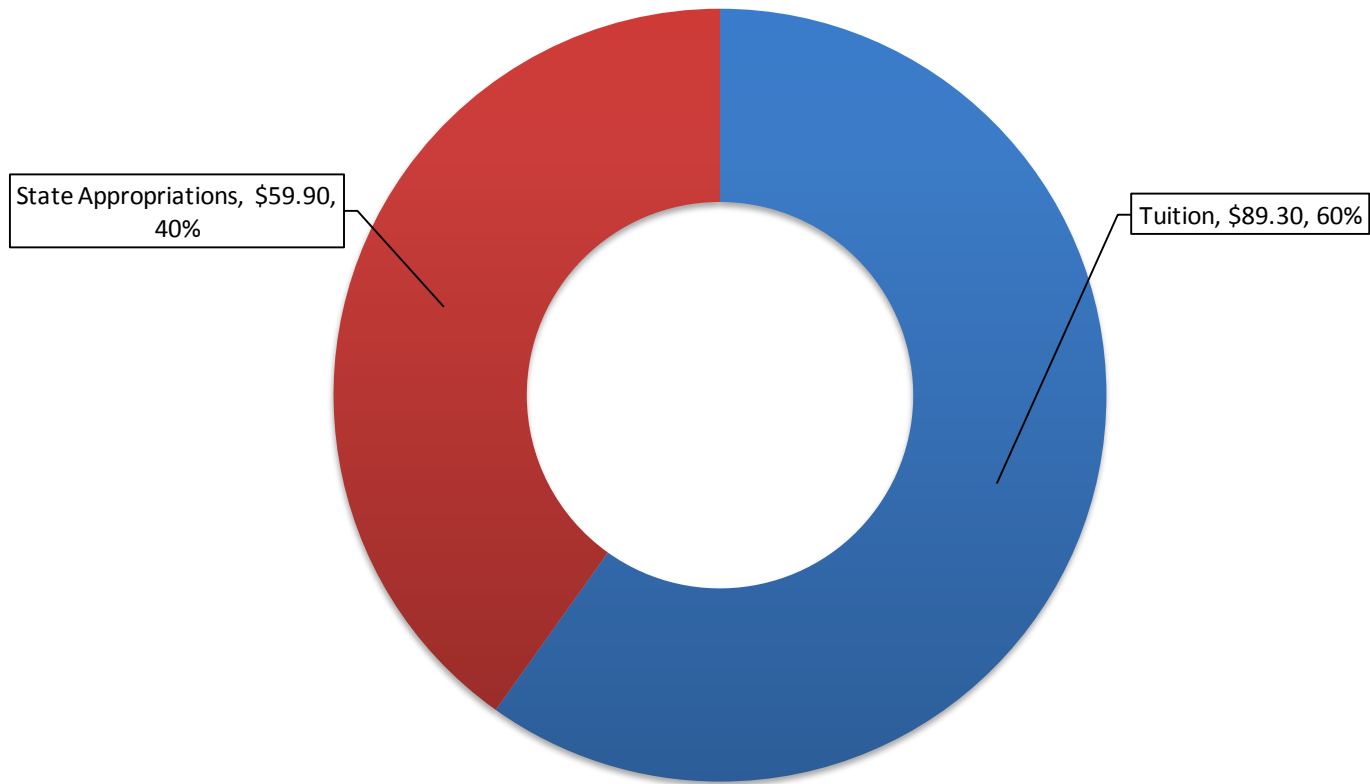


# State vs Non-State Revenue





# Breakdown of Tuition vs Appropriations





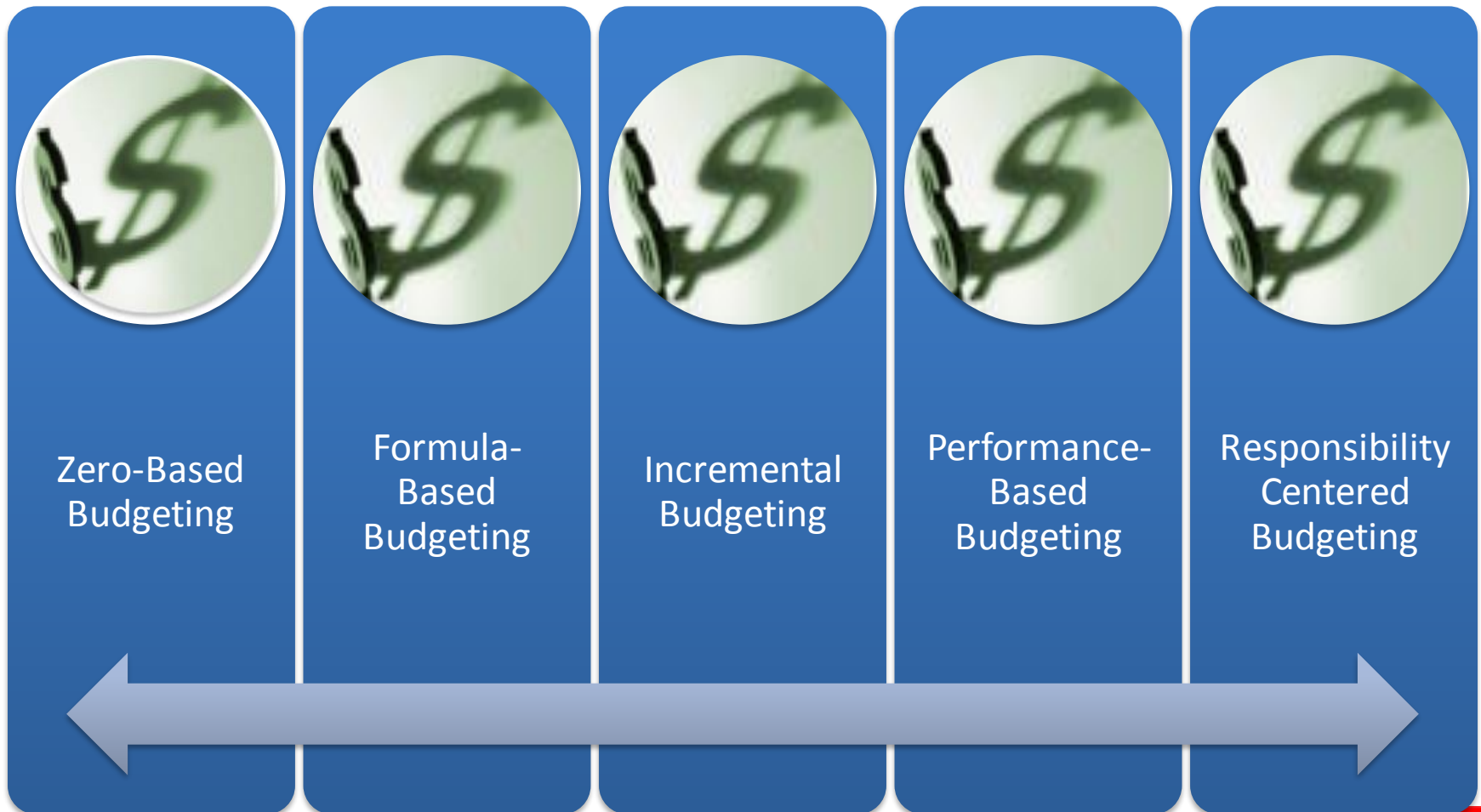
## Characteristics of Budget Models:

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





# 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

