



The Entrepreneurial University: Making University Budgeting More Adaptable, Efficient, and Flexible in Tight Budget Times

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INDIANA UNIVERSITY



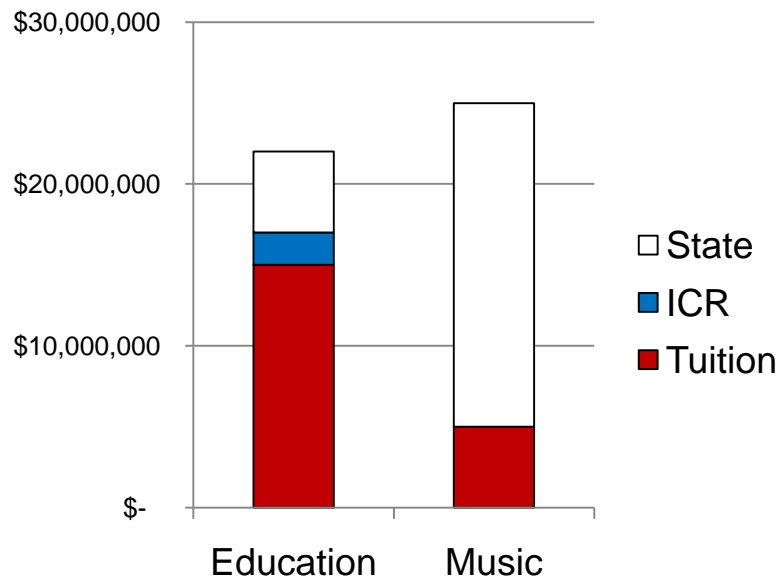
Perspective

- In 1988, Indiana University (IU) was the first public research university to implement activity-based budgeting
- 1993-96, department chair at IU
- 1996-2002, member and then chair of campus budget committee
- 2002-Present, Chief Financial Officer for IU Bloomington (32,000 undergraduates; 10,000 graduate and professional students)
- 2007-Present, Chief Financial Officer for IU (8 campuses with 86,000 undergraduates; 21,000 graduate and professional students)
- IU's top programs include music, business, languages, medicine, nursing, and political science



How will Activities Based Budgeting (ABB) make the university's budgeting process more transparent?

Initial Allocation of State Funding to Schools of Education and Music



- **Immediate (1988)**
- ABB made clear what share of campus' tuition revenue and indirect cost recovery was generated by which school
- State funding used to ensure that each school's revenue remained unchanged by new budgeting system
- IU assumed that each school was in equilibrium in 1988 so higher levels of state funding were driven by higher costs of teaching and research
- **On-Going (1989-2009)**
- Allocation of state funding kept fixed so ABB makes transparent the changes in tuition revenue a school's courses generate and the amounts of ICR it generates



To what extent will ABB drive the university towards a differential tuition model?

- ABB does not curtail campus administration's role in recommending to the trustees which tuition policies are in the best interest of IU and its students
- Historically, IU has resisted differential tuition because of a concern that it might introduce considerations of ability-to-pay into student's choice of major
- Thus, no differential tuition until earlier this decade when the IU President recommended differential fee for Business—impetus was concern that because of wide differences in faculty salaries by discipline “English majors are subsidizing finance majors”—change was unrelated to ABB



To what extent will ABB incentivize the university to invest in cost-effective programs as opposed to intrinsically valuable programs that are not cost-effective?

- IU assumed that each school was in equilibrium in 1988 so higher levels of state funding were given to programs with higher cost-effectiveness ratios
- Major issue in each campus review of ABB: Are schools being incentivized to move away from their intrinsic missions to offer most popular courses?
- Conclusion in each review is that each school continues to offer quality courses within their historically established mission areas



How will ABB incentivize departments to offer particular types of classes or programs, such as lectures, externships, internships, or other non-traditional forms of learning?

- ABB increases value of faculty who excel in teaching in large group setting, especially in relatively small schools where department budget reflects enrollment changes
- ABB “solved” course unavailability problem at IU



How will ABB affect the quality of education?

- IU's analysis indicates that students are attracted to a school by quality
- In this sense, ABB offers incentive for schools and departments to strive for excellence



How will ABB impact graduate students, especially with regards to tuition waivers and fee-based programs?

- IU has seen marked improvement—as measured by student surveys—in student services. ABB seen as creating much greater internal accountability for services rendered.
- IU resists decentralizing fellowships monies due to concern that these resources might be reallocated at school-level.