

An aerial photograph of the University of Rhode Island campus during sunset. The sun is low on the horizon, casting a warm glow over the scene. The campus features a large green lawn with a white crosswalk pattern and the letters "UR" in the center. Surrounding the lawn are various university buildings, including a large modern building on the left and older stone buildings on the right. The sky is filled with soft, colorful clouds.

# THE UNIVERSITY OF RHODE ISLAND

## Financial Strategy & Planning Updates on Budget Model and FY2026 Allocation

May 7, 2025

# WHY A NEW BUDGET MODEL?

Deans and their faculty are **best positioned** to know the needs of their colleges and programs, and the trends within their areas.



## **Increases colleges' ownership**

Puts Deans and colleges in the driver's seat with **greater ownership over resources**



## **Allows for surplus retention**

Provides a system wherein colleges can **retain the surpluses** they generate



## **Increases transparency**

Improves **transparency in budget decision-making processes** at all levels



## **Improves nimbleness**

Increases nimbleness to achieve priorities and **seize opportunities** as they arise

# Shift Toward Decentralization

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- Deans will have wide latitude to deploy unrestricted college resources within appropriate academic guardrails (i.e., faculty approvals).
- In non-college areas, VPs and AVPs have similar authority to reallocate across their respective departments.
- Empower units to make investments and self-solve fiscal challenges.
- How does the new budget model impact my department?
  - Given the decision-making authority vested in deans and division leaders by the budget model, this question can most often best be answered at the unit level

# Guiding Principles

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- Rewards innovation, entrepreneurship, collaboration, and a “One University” mindset
- Provides transparency, clarity, and predictability
- Builds an environment of inclusive excellence
- Fosters responsibility and accountability
- Incentivizes increased academic quality, aligning core competencies and avoiding redundant offerings, or offerings that are misaligned with areas of expertise

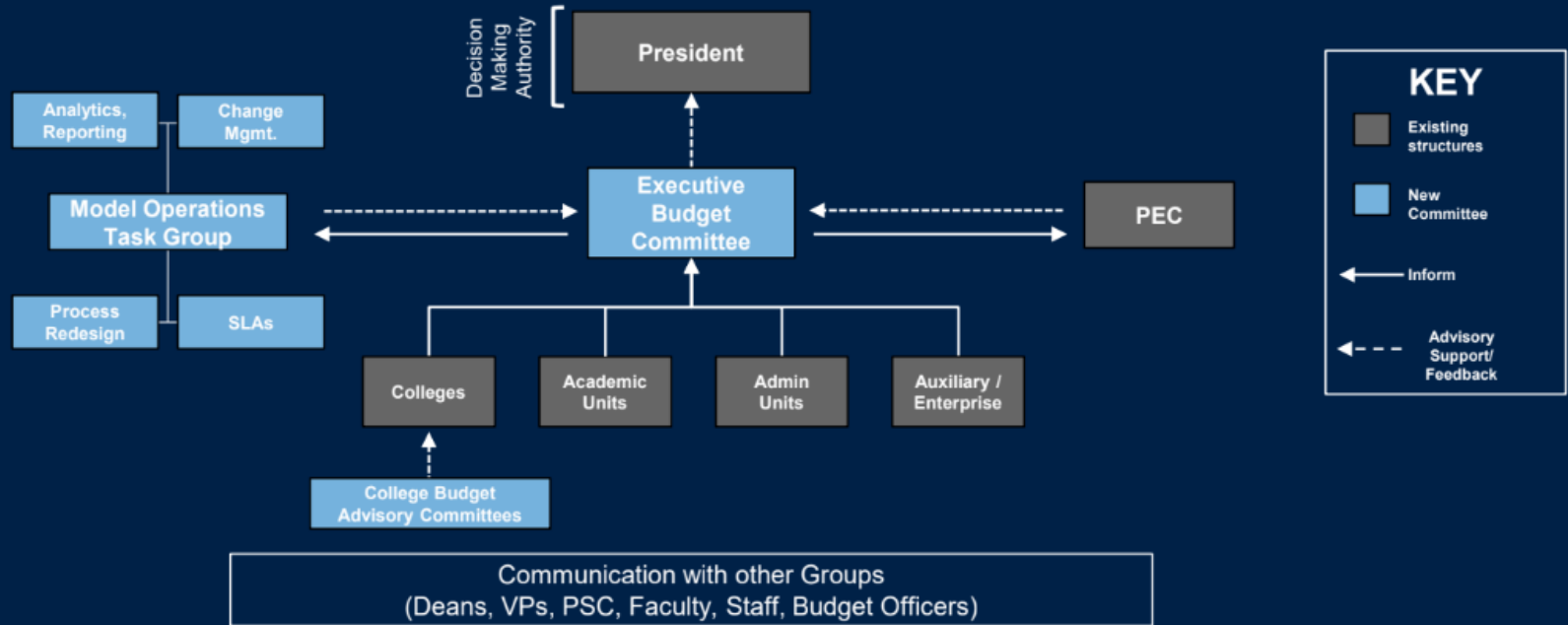
# How Will Success be Measured?

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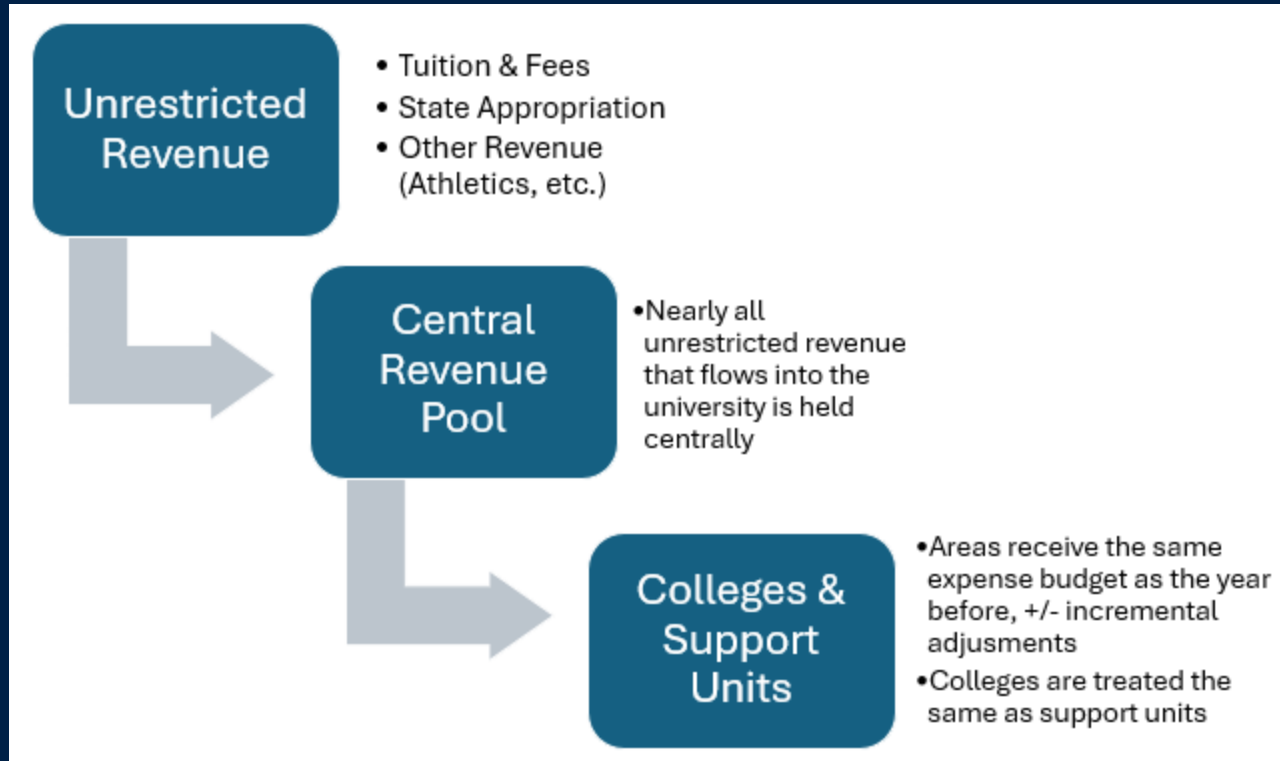
- The success of the budget model will be reflected in the University's progress on its strategic plan and KPIs (e.g., increased graduate student enrollments, greater research activity, student persistence rates)
- Diversification of revenue streams
- Growing the university's "revenue pie" to ensure the long-term financial sustainability of URI

# Institutional Budget Governance Structure

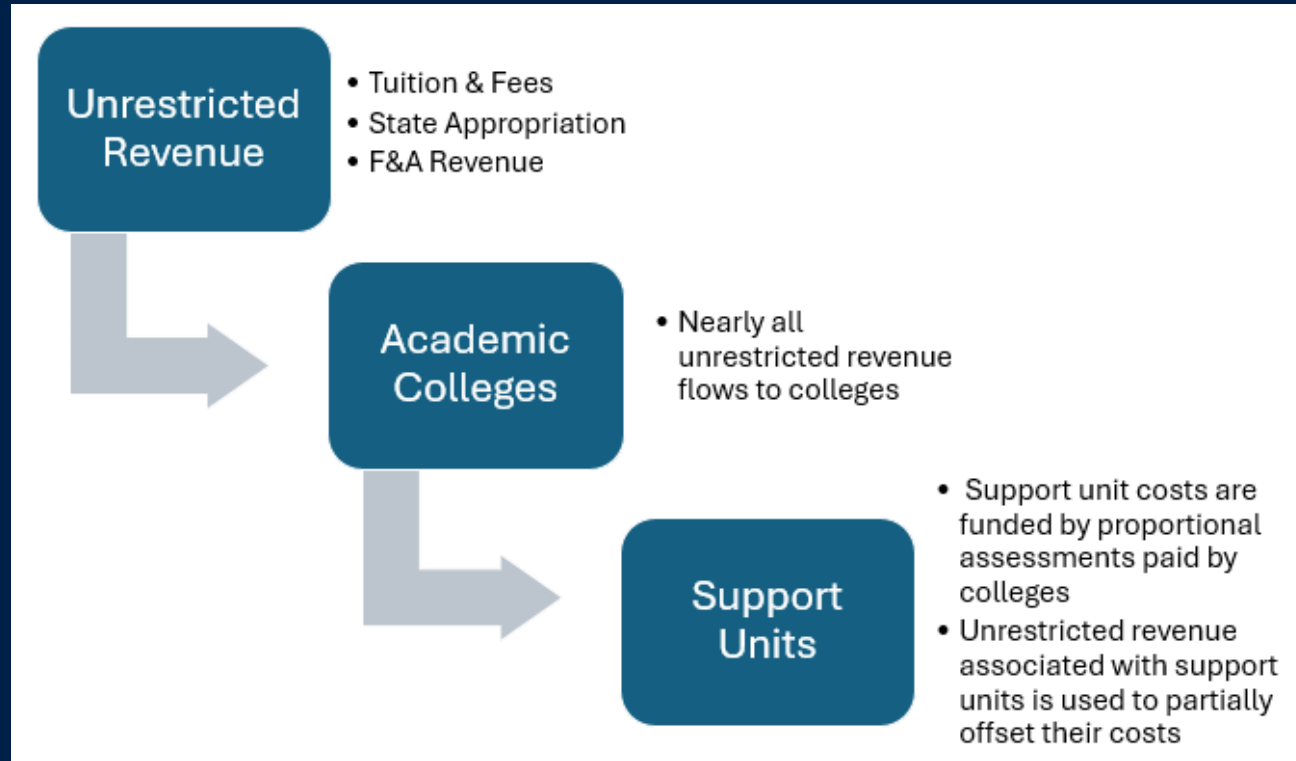
The infographic below reflects a governance structure centered on the Executive Budget Committee and its respective communication channels between the Model Operations Task Group and the PEC.



# Current Resource Flow (incremental)



# URI Budget Model Resource Flow





# High Level Mechanics for Colleges

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Total Net Revenue (Tuition & Fees less Student Aid, F&A)



Direct Expenses



Indirect Expenses (Proportional Assessment)



Central Support



Margin

# Proportional Assessments

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- As a result of all unrestricted sources flowing to degree-granting colleges, colleges will be charged for their proportionate share of support services
- The introduction of central cost pools within our new budget model aligns with URI's guiding principle of providing **transparency**, **clarity**, and **predictability** by shifting to an explicit funding approach
- Degree-granting colleges will have insight into the required funding levels for central administrative support units
  - Academic units do not have the ability to opt-out of participation in funding the cost pool and are not permitted to secure services from elsewhere without explicit pre-approval
  - **Service Level Agreements (SLAs) are being developed between academic units and support units**
- Central administrative support units, in turn, focus on enhancing customer service to ensure services are being delivered equitably and optimally to all academic units
  - Consistent, predicable service from support units allows academic units to focus on revenue growth

# Proportional Assessments

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| Cost Pool                       | Cost Driver  |
|---------------------------------|--|
| Academic Support                | College Faculty and Student Headcount  |
| Information Technology Services | College Faculty, Staff, and Student Headcount                                    |
| Facilities and Public Safety    | College Total Square Footage   |
| General Administration          | College Total Direct Expenses  |
| Research Support                | 50% College Sponsored Expenditures (fund 500)<br>50% College Proposals Submitted |

**All assessments will be calculated based on a college's cost driver relative to that driver across all colleges (i.e. a college's relative share expressed as a percentage)**

# Central Support to Colleges

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- **Operating Revenue**: a portion of state support is allocated formulaically to colleges based on metrics that align with the University's strategic plan.
- **Subvention**: a portion of state support may be allocated to colleges in which tuition and F&A revenues are not fully supporting expenses. To be re-evaluated on a regular basis.

A goal for future phases of model implementation is to establish an additional pool of central support to colleges to reward progress in KPIs related to the strategic plan

# Phased Implementation Timeline

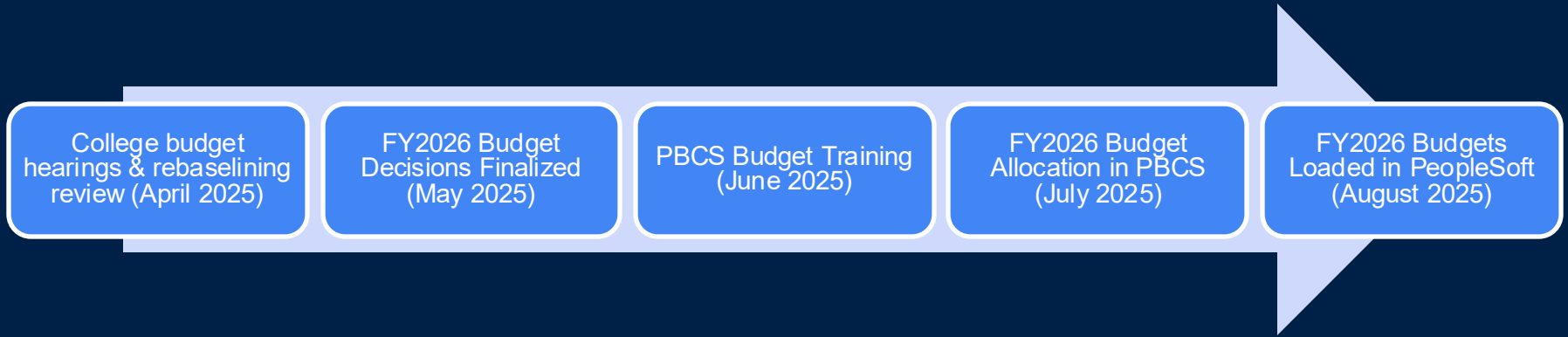
URI Leadership has made the decision to extend our timeline for model transition to occur through FY26, with an anticipated go-live year of FY27. FY26 will serve as a one-year Stabilization Period, essential to maintaining operational continuity across academic and admin units, minimizing disruption, and building confidence in the model.

|                                | FY25                              |    |    |    | FY26                                       |    |    |    | FY27   |    |    |    |
|--------------------------------|-----------------------------------|----|----|----|--|----|----|----|--|----|----|----|
|                                | Q1                                | Q2 | Q3 | Q4 | Q1   | Q2 | Q3 | Q4 | Q1   | Q2 | Q3 | Q4 |
| Phased Implementation Timeline | Budget Model Development / Design |    |    |    | Model Year 1: Subvention and Hold Harmless |    |    |    | Model Year 2: Fully Implemented (Subvention) |    |    |    |

- Stability for units: During this initial period, college funding levels would be temporarily maintained at a level comparable to the incremental model (Hold Harmless).
- Time for adjustment: Units can use this period to understand and adapt to the mechanics of the new budget framework without immediate revenue fluctuations.
- Equity and Buy-In: Ensuring no immediate negative impacts during the rollout phase fosters goodwill and demonstrates institutional commitment to fairness.

# FY2026 Allocation – Anticipated Timeline

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# FY25 Rebased Budgets - Impact on Budget Model

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- **New Foundational Budget:** The rebaselined budget will serve as the foundation for URI's FY26 budget, ensuring units start from an accurate baseline rather than outdated assumptions resulting from incremental budgeting practice.
- **Alignment with URI's New Budget Model:** This effort aligns with URI's new budget model, emphasizing transparency, accountability, and a stronger link between revenues and expenditures.
- **Increased Transparency and Accountability:** Rebaselining ensures clear understanding and allocation of revenues and expenses, enhancing financial accountability across units.

# Budget process changes for FY2026

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- As a result of implementing the new budget model and shifting to a more decentralized environment, several changes will be in effect during FY2026.
  - Use of a pooled fringe rate for budgeting
  - Many categories of expenses that were once centrally funded will now be budgeted directly in fund 100 by units, including: fringe benefits, COLA/contractual salary increases (including faculty promotion/Plan A/ESI), aid for GTAs, and tuition supplements for GRAs
  - All fund 110 support for non-college areas will shift to fund 100 in FY26 (exceptions: Research & Economic Development, Sponsored Cost Accounting) due to 100% of F&A revenue reflected in colleges
  - Fund 106 activity will transition to fund 100
  - Summer/J Term instructional expenses charged directly to hiring units



# PBCS Training – June 2025

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- New user training – Required
- Refresher and update training – Recommended
- Updated detailed guidance – Available June/July