

FY 2023 Budget Formulation Guidance

December 2021

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I. Budget Formulation Process Overview

Establishing and managing budgets are critical to any organization’s mission and strategy. Effective budget formulation leads to better administration of an organization’s resources and promotes transparency, trust, and effective performance.

Two years ago, Pitt launched an initiative to enhance the budget formulation process and the University’s budget model. Starting in FY 2021, the budget formulation process incorporated the use of an all-funds budget, formalized a resource request process, utilized standard pillars to prioritize resource allocations, and introduced annual Strategic Resource Reviews.

Over the past year, the University, guided by a [Steering Committee](#) of faculty, staff and administrative leaders, undertook a review of its budget model. The review of the University’s current budget model uncovered opportunities to improve transparency, authority, and accountability at the Responsibility Center (RC) level, incentives to raise revenue or reduce costs, and the ability to support the significant strategic initiatives outlined in the Plan for Pitt. The new incentive-based Budget ReSTART (Revenue Sharing to Accelerate Responsive Transformation) model addresses the concerns that were uncovered in the review of Pitt’s current budget model. The new model empowers RC leaders who have the best understanding of their operations to have authority over their resources to fund their priorities. Information and training on the new Budget ReSTART model can be found [here](#). As a Responsibility Center leader and staff member responsibility for budgeting, it is important that you familiarize yourself with the new budget model and terminology prior to reading this budget formulation guidance and developing your RC Resource Proposal (RCRP).

The FY 2023 budget not only will be formulated using the new model, but also it will be the first budget to reflect the priorities articulated in the new [Plan for Pitt](#). The new model will help to align resources with strategic priorities and the University’s mission.

With the Chancellor’s approval of the new model, the University is moving forward with the FY 2023 budget formulation phase that will enable RCs to anticipate the impacts of the ReSTART model while still operating using the current model.

This guidance document outlines the budget formulation process, which is the first step in the budget cycle, and is a tool for RC leaders, directors of administration, and business managers to better understand how to develop their budgets and leverage their resources under the new Budget ReSTART model and in alignment with the Plan for Pitt.

The following is an overview of the budget formulation timeline for FY 2023 (see Section V for details):

Budget Formulation					Budget Execution
Guidance & Training	Develop Budgets - RC Resource Proposals (RCRPs)	Strategic Resource Reviews (SRRs)	Finalize Budget Decisions	Budget Approval	Manage to Budget Targets throughout the fiscal year
December	Jan – Feb	Jan - Mar	Mar-May	June/July	July -June
Guidance released and training provided.	RCRPs are developed and submitted	RCs meet with Provost, CFO, and SVC/HS (as relevant)	Review RCRPs and set University budget with shared governance	Board approves budget	Manage budget based on approved targets

II. FY 2023 Responsibility Center Resource Proposals (RCRPs)

RCRPs are the first step in the budget formulation process. The RCRP process is an opportunity for RCs to consider how to leverage and realign resources to further strategic priorities that advance the Plan for Pitt.

RCRPs include three components: (1) Operating Budget; (2) Strategic Resource Requests; and (3) Capital Budget Requests. Instructions for each component are described below.

The Budget ReSTART model classifies certain RCs as 'Primary' in that they have a greater ability to influence revenue generation and include areas that are core to the University's mission, such as Academic RCs, Regional Campuses, and Other Revenue-Generating RCs (e.g., Athletics, Auxiliary RCs). All other RCs are classified as Support RCs, which provide services and support to Primary RCs (e.g., HR and Pitt IT). The following RCRP guidance provides instructions for both Primary and Support RCs. Specific details for each type of RC are indicated where relevant.

Prior to submission, RCRPs should be approved by RC leadership and reflect strategic priorities set by RC Planning and Budgeting Committees (PBCs) following the principles set in the [Planning and Budgeting System](#). Note that during the parallel process and until the PBS is revised, Support RCs are encouraged to utilize their PBCs, if established, or conduct a collaborative budget development process within their RCs. RCRPs should be submitted according to the detailed timeline in Section V.

1. Operating Budget

In the new Budget ReSTART model, revenues and expenses are shifted to the Primary RCs; therefore, the RCRP becomes the plan to generate additional revenue, achieve cost efficiencies, and leverage resources for strategic priorities. For Support RCs, it is critical to review expenses and determine where there are areas to improve service delivery to Primary RCs.

Each RC must submit their FY 2023 operating budget using the Excel template provided through their RC's Microsoft Teams channel that has been configured to report all operating resources using the new Budget ReSTART model income statement (revenues and expenses) format. This income statement is intended to provide more transparency into holistic RC operations. The data provided includes FY 2019-FY 2021 Actuals, and the loaded FY 2022 budget. An optional column for FY 2022 projected actuals is also available for RCs to input any approved budget modifications or any other expected budget changes.

FY 2023 Assumptions in Income Statement Template

Within their RCRP submission, RCs will estimate their FY 2023 operating budgets using the Excel income statement that is provided. The income statement includes FY 2022 budget levels. It is important to note that the budget formulation process is an iterative process, and final decisions about key budget parameters will not be determined until the end of the budget formulation process. Therefore, the provided income statement includes planning assumptions using flat funding from the FY 2022 budget (i.e., no increases/decreases to compensation, tuition rates, or overall budget levels). ***The following are provided as planning assumptions only – no decisions have been made for the upcoming budget. Initial budget decisions will be communicated to RCs prior to beginning the new fiscal year.***

Primary RCs

- Tuition Revenue/Financial Aid (RCs can update the income statement if significant enrollment changes [new programs or significantly adjusting a current program] are expected): Assumes Fall 2021 tuition revenue and financial aid as of October 31, 2021, Spring and Summer FY 2021 actual amounts, and flat

tuition rates. In early February, we will overlay Spring 2022 tuition and financial aid results and provide them to relevant Primary RCs.

- Endowment Distribution (fixed): Assumes flat funding from FY 2022 budget.
- Commonwealth Appropriation (fixed): Assumes flat funding from FY 2022 budget.
- Indirect Cost Recovery (RCs can update if changes to research activity are expected): Assumes flat funding from FY 2022 budget.
- Support RC cost allocation (fixed): Assumes flat funding from the FY 2022 budget for Support RC cost allocations. In early February, an update will be provided after we have received FY 2023 RCRPs for Support RCs, which will inform any expected changes to Support RC cost allocations. We will also provide 1% impacts (increase/decrease) for Support RC cost allocations to inform scenario planning in the event of an approved compensation pool, and/or overall budget reduction.
- Participation fee (fixed): Primary RCs will be assessed an 11% fee for the subvention pool and strategic initiative fund. In addition, academic RCs will be charged an additional 5% for research initiatives. These fees will be assessed on applicable revenue sources as discussed with each RC business manager during the model development consultations. The fees will automatically calculate in the spreadsheet.

Support RCs

- Support Costs/Expense (fixed): Assumes flat funding from FY 2022 budget. Support RCs may reallocate resources within this level and propose requests for strategic funding as described below in Section 2.

All RCs

- Compensation Pool and Fringe Benefit Rate (fixed): Assumes flat funding from FY 2022 budget.
- Direct Revenues and Expenses (RCs can update): Assumes flat funding from FY 2022 budget.
- Entity 04 & 05 (RCs can update): Assumes flat funding from FY 2021 actuals.

Instructions for Income Statement Template

Within the Excel income statement template, RCs are expected to develop their FY 2023 budget considering how all funding sources will be utilized. RCs should estimate revenues, expenses, and subvention levels (as needed) according to the instructions below:

- *Estimate revenues (Primary RCs)* – Considering the assumptions noted above, Primary RCs should review revenues based on expected enrollment levels, PAE fundraising goals, and projections for any other sources of revenue (e.g., fees, ticket sales, etc.). Revenue questions to consider:
 - ✓ How does your RC plan to utilize the revenues that have been shifted to your RC because of the new budget model?
 - ✓ What opportunities exist to strengthen enrollments, improve programs, and grow research?
 - ✓ What efforts will be put in place to increase fundraising and generate additional revenue?
 - ✓ *For Academic RCs* What is your graduate enrollment plan, and do you have clear evidence for expected changes in enrollments? How will your tuition discounting strategy affect your expected net tuition revenue? Do you expect any significant changes to undergraduate enrollments? Please explain anticipated enrollments over the next three years and how that will affect your net tuition revenue given the new revenue allocation method in the new model (see Appendix 1 for details).
- *Estimate expenses (all RCs)* – Within the income statement template, RCs should estimate expenses by reviewing FTE levels and vacant positions, programmatic costs, and other expenses. Primary RCs will also need to include Support RC cost allocations and participation fees within their expenses using the

assumptions noted above. Support RCs should assume flat expense levels but may reallocate resources within this level and propose requests for strategic funding as described below in Section 2. Expense questions to consider:

- ✓ Are there areas where resources should be reallocated from lower priorities to higher priorities?
 - ✓ What resources could be utilized to further the Plan for Pitt or carbon neutrality by 2037 objectives?
 - ✓ Are there areas of your operation that no longer need the same level of historical funding they have received?
 - ✓ Are there cost savings that could be achieved by maximizing operational efficiencies?
 - ✓ Does your RC plan to release space resulting in cost savings? Please explain and specify if any of the released space is classroom (departmental controlled or priority).
 - ✓ Is your RC expecting major expense disruptions due to inflation? Please explain.
- *Estimate budget targets/subvention levels (Primary RCs)* – After adjusting revenues and expenses, Primary RCs will be able to expect either a negative or positive margin (deficit or surplus). RCs with a negative margin will discuss the need for subvention funding within their Strategic Resource Review meeting. The use of subvention funds must be approved by the Executive Budget Committee (EBC). The subvention ensures that no RCs end the year with negative margins for unrestricted funds. For Support RCs allocations, the budget target will be the approved expense budget. The final budget target for Primary RCs provided in late summer 2022 will be the FY 2023 expected margin (revenue minus expenses) including any approved subvention. Beginning in FY 2023, RCs will be able to carryover a portion of the surplus above their approved budget target. Note that even Primary RCs with subventions and Support RCs will have an opportunity for carryover funding if they exceed their approved budget target. See Appendix 2 for the carryover and budget target procedures. Each RC will be held accountable to meet or exceed their budget target. Subvention questions to consider:
 - ✓ How can my RC reduce its subvention level over time?
 - ✓ What opportunities exist to generate additional revenue?
 - ✓ Could expenses be reduced by maximizing operational efficiencies?

An **Operating Budget narrative** that provides an overview of revenues and expenses, explains any needed subvention, and answers the key questions noted above should be uploaded into the Planning and Budgeting Cloud Solution (PBCS) as an attachment using the form in Appendix 1. Your RC's Excel income statement should also be uploaded to PBCS as an attachment when you submit your RCRP.

2. Strategic Resource Requests

With the new Budget ReSTART model, the conversation now shifts to “How are you leveraging your resources to achieve the goals of your RC, the Plan for Pitt, and the carbon neutrality by 2037 goal?” With revenues shifted to RCs, Primary RCs can directly plan and self-fund their strategic priorities with generated revenue.

There are two ways a strategic resource proposal can be funded: 1) RC self-funded strategic resource proposals and 2) request for resources from the Strategic Initiative Fund (SIF). RCs should identify any self-funded strategic resource proposals and can submit requests for resources from the Strategic Initiative Fund (SIF) as explained below. Successful proposals will address one or more of the strategic objectives in the new [Plan for Pitt](#) (see Appendix 3 for list of strategic objectives) and/or the carbon neutrality by 2037 goal.

Self-funded Strategic Resource Proposals: RCs should list any strategic initiatives that are self-funded and explain how they align to the university strategic objectives. Within the PBCS system, RCs will be able to select the primary and (if needed) secondary Plan for Pitt strategic objectives that the RC initiative supports. These

RC-funded initiatives/programs will be reviewed by the Office of the Provost and Office of the SVC/HS (as relevant) for policy and strategic alignment. Approval will be determined and communicated with final budget decisions.

Strategic Initiative Funding (SIF) Requests:

In addition to funding subventions as described above, the Budget ReSTART model participation fee also provides funds for the SIF. Initially, the participation fee will largely support subventions; however, as the University increases revenue and manages costs more effectively, less may be needed for subvention, leaving a larger portion of flexible dollars to be invested in other strategic initiatives. In the first few years of implementing the new budget model there will be limited funding for the SIF; therefore, RCs should mainly utilize their own resources to fund initiatives. To the extent that RCs want to request resources from the limited funding that may be available in the SIF, RCs should articulate their proposal in PBCS. Before submitting a request for SIF funding, RCs should ensure they have exhausted all internal sources of funding. If the request is for permanent funding, the RC should explain why internal RC budget reallocations are not feasible for the investment.

Within PBCS, RCs should complete the **Strategic Resource Request narrative** for both RC self-funded strategic resource proposals and any SIF requests (2,000-character maximum):

- Explain how the initiative/program supports progress toward the identified Plan for Pitt strategic objective(s) and/or the carbon neutrality by 2037 goal.
- Describe any companion capital projects/funding that are needed as a pre-requisite for this program and whether those projects have been incorporated in the capital budget.
- If self-funded, note the RC internal funding that is being used to support the strategic initiative and if your RC is using permanent resources for the initiative (i.e., is it a multi-year effort?)

RCs that have university-wide strategic initiatives that require significant SIF resources should submit a business case that details how the requested resources will benefit the holistic profile of the University (see Appendix 4 for SIF business case template). If the initiative meets the criteria below, a SIF business case should be submitted to support the request:

- The initiative clearly and directly supports achieving one or more Plan for Pitt objectives with demonstrable ability to “move the needle”
- The initiative has university-wide, or it affects multiple RCs (indicate in the proposal if multiple RCs are involved in the implementation of the initiative)
- Requires a large amount of funding (over \$500,000) and/or multi-year or permanent new funding

Any SIF business cases should be uploaded into the PBCS as an attachment as a part of the RCRP submission. Prior to submitting a business case and for any questions and support related to completion of the SIF business case, please contact the Pitt Portfolio and Project Management Office at PPMO@pitt.edu.

3. Capital Budget Requests

Each RC can submit capital funding requests above \$50,000 (regardless of the funding source) that advance RC and University priorities consistent with the [Campus Master Plan](#), the Plan for Pitt, and Pitt’s commitment to carbon neutrality by 2037. Requests below the specified threshold should be managed within each RC’s existing resources.

A capital request narrative should be completed within the PBCS and should explain the following:(2,000-character maximum):

- What is the proposed capital project(s) and how were they prioritized?

- Has the project been reviewed with the Office of Planning and Design and/or the Office of Facilities Management? If so, were formal studies completed?
- How was the cost of the project determined and what is the source of funding for the proposed projects?
- How, if approved, will the new capital project advance the Campus Master Plan, the Plan for Pitt, and/or carbon neutrality by 2037?
- How does this capital project impact progress on critical programs that are essential to revenue generation or strategic objectives? Is this capital project needed as a pre-requisite for a particular program?
- Does the new capital project increase/decrease the need for permanent operating funds?

RCRP Completion Checklist

RCs should submit the following components with their RCRP. Prior to submission, RCRPs should be approved by RC leadership and reflect strategic priorities set by RC Planning and Budgeting Committees.

☑	RCRP Component	How to submit
	Operating Budget Income Statement	Complete Excel Template (download template from the Microsoft Teams channel) and upload as attachment in the PBCS.
	Operating Budget Narrative	Complete Operating Budget Narrative Form in Appendix 1 and upload as an attachment in the PBCS.
	(Optional) Strategic Resource Proposals (Self-funded and SIF requests)	Within the PBCS: <ul style="list-style-type: none"> ✓ List initiatives (self-funded and SIF) ✓ Select Plan for Pitt strategic objectives that the initiative supports ✓ Rank order initiatives ✓ Complete narrative ✓ Upload completed SIF business case template (Appendix 4) as an attachment into the PBCS (if meets criteria)
	(Optional) Capital Budget Requests	Within the PBCS: <ul style="list-style-type: none"> ✓ List capital requests ✓ Select Plan for Pitt strategic objectives that the capital request supports ✓ Rank order capital requests ✓ Complete narrative

III. Strategic Resource Reviews

Similar to prior years, in an effort to gain a holistic understanding of each RC's budget within the new ReSTART model, each RC will be invited to a Strategic Resource Review (SRR) meeting early in calendar year 2022.

- Mid/late January: Support RC Strategic Resource Review meetings
- Mid-February – Early March: Primary RC Strategic Resource Review meetings

While the discussions will inform University leadership resource decision making, no decisions will be made during these meetings.

Deans, RC Heads/Senior Officers and their Directors of Administration or Business Managers will meet with the SVC/CFO, SVC/Provost (academic RCs), SVC for Health Sciences (health sciences RCs), SVC for Business & Operations (as relevant), and VC Planning, Design and Real Estate (as relevant for capital project requests).

In addition, members from the new [Support RC Committee \(SRCC\)](#) will be invited to attend the SRR meetings for the Support RCs. The purpose of the SRCC is to serve as an oversight committee with visibility into the University's Support RC budgets. The committee will learn about each of the Support RC budgets, review opportunities to improve service delivery and utilization of Support RC resources, and recommend budget levels that align with strategic priorities to the Executive Budget Committee (SVC/Provost, SVC/CFO, and SVC/Health Sciences). With the participation of the SRCC in the budget process, Support RCs will gain a clearer insight into the service needs of the Primary RCs and be better positioned to meet those needs and provide improved service delivery. Note that this first budget cycle year for the SRCC (during the Budget ReSTART parallel process for the FY 2023 budget formulation) will be an orientation and education year.

Focus of the SRR Discussions

Unlike prior years, the conversation shifts from "How do strategic priorities align to the budget you have available?" to "How are you leveraging your resources to achieve the goals of your school and the new Plan for Pitt?" In preparation for these reviews, please structure the first approximately 15 minutes of the meeting to address the areas below so that most of the meeting is a discussion.

- **Priorities:** Provide an update on your major goals and objectives and how they align with your strategic plan, the Plan for Pitt, and/or carbon neutrality by 2037. In other words, explain where you are now, what you are aiming for, and the specific programs, initiatives or actions your RC is undertaking to achieve your goals. Use data and trends to support your analysis.
- **Operating Budget:** Explain your budget and how funding is being utilized to advance the Plan for Pitt or carbon neutrality objectives. Describe any efforts to review historic budget levels, reallocate resources, and determine operational efficiencies. Primary RCs also should provide an update on what opportunities exist to strengthen enrollments, improve programs, increase fundraising, and generate additional revenue. Academic RCs should discuss their enrollment plan and how that affects net tuition revenue over the next three years given the allocation method in the new model. Moreover, Primary RCs should be prepared to discuss their bottom line and any needed subvention.
- **Strategic Resource Requests:** Discuss any strategic initiatives that are self-funded and explain how they align to the strategic objectives in the Plan for Pitt and/or carbon neutrality by 2037. For major university-wide SIF initiatives, provide an overview of the proposal and address the questions in the business case template.
- **Capital Requests (if relevant):** Explain any requests for capital projects and how they impact progress on critical programs that are essential to revenue generation, strategic objectives, or carbon neutrality by 2037. Also please discuss any plans to release space, including classroom space.

IV. Review and Approval Process

The following describes the review and approval of the RCRPs for both the operating and capital budgets:

Operating Budget

The governance structure for operating budget resource decision-making remains largely the same as prior years. The governance structure for the Budget ReSTART model leverages existing committees at Pitt as well as the established decision-making process for RCRPs.

Prior to submission, RCRPs should be approved by RC leadership and reflect strategic priorities set by RC Planning and Budgeting Committees (PBCs). Once submitted, each RCRP will be reviewed by the SVC/CFO as well as the Provost, SVC for Health Sciences, and/or SVC for Business and Operations as relevant. Each RC will have the opportunity to discuss and justify their RCRP during the Strategic Resource Review meetings as outlined above.

As noted earlier, a new committee will be established this year to support the review of the RCRPs for the Support RCs. The new Support RC Committee (SRCC) will review the RCRPs, and members will be invited to attend SRR meetings for the Support RCs. The purpose of the SRCC is to serve as an oversight committee with visibility into the University's Support RC budgets. The committee will learn about each of the Support RC budgets, review opportunities to improve service delivery and utilization of Support RC resources, and recommend budget levels that align with strategic priorities to the Executive Budget Committee (SVC/Provost, SVC/CFO, and SVC/Health Sciences). Note that this first budget cycle year for the SRCC will be an orientation and education year.

The role of the Executive Budget Committee (EBC) will also be formalized this year. Members of this committee include the Provost/SVC, SVC/Health Sciences, and SVC/CFO. As in prior years, these three senior officers will review the RCRPs, including subvention funding needs and SIF requests, and recommend a University-wide budget to the Chancellor.

Consistent with prior years, in April final recommendations on key parameters will be presented to the Chancellor through the University's Planning and Budgeting Committee. Given the October 2021 faculty vote to form a union, this committee and the governance structure discussed with the Budget ReSTART Steering Committee may change; however, it will not change our commitment to partnering with faculty members to advance the goals of the new model.

Initial results will be communicated prior to the final presentation to the Board of Trustees' Budget Committee. Final resource decisions will be affirmed after the Board of Trustees approves the budget. After the budget is approved by the Board of Trustees and the new fiscal year begins, we will shift from the parallel process to implementing new Budget ReSTART model with any refinements required after feedback is provided through the parallel process.

Managing to approved budget targets

After the budget is approved, Primary RCs will receive a budget target that includes an approved surplus or subvention level. For Support RCs the budget target will be the approved expense budget. RCs will be expected to manage to their approved target budgets and internally fund any needs that arise during the fiscal year. RCs that do not meet their budget target at the end of the fiscal year will be handled as follows:

- **Primary RCs** will be required to submit repayment plans for any additional subvention required.
- **Support RCs** will be required to submit an explanation and remediation plans.

Beginning in FY 2023, RCs will be able to carryover a portion of the surplus above their approved budget target into FY 2024. Note that even Primary RCs with subventions and Support RCs will have an opportunity for carryover funding if they exceed their approved budget target. See Appendix 2 for carryover and budget target procedures.

Capital Budget

In addition to inclusion in the RCRP submission, Capital project requests will follow the following existing approval processes:

- New construction projects must be requested in writing to the Office of Planning and Design for review. These are typically submitted through the RC's Senior Vice Chancellor's office.
- Capital renovation projects should be submitted in advance of the RCRP through the Office of Facilities Management's departmental work request process or in consultation with the Office of Planning and Design. All requests will be reviewed jointly by the Office of Facilities Management and the Office of Planning and Design, and a project manager will be assigned to further evaluate the request and assist in developing a cost estimate. This will allow the department to identify funding requirements prior to RCRP submission.
- New construction and renovation projects valued at over \$5 million require stage-gate approval through the Capital Projects Review Board and ultimately the Property and Facilities Committee of the Board of Trustees.
- Projects valued between \$2 million and \$5 million require approval via decision memo through the department's SVC, with approval by the SVC/CFO and SVC Business and Operations. The Property and Facilities Committee is also informed of these projects.
- Major capital project submissions will be reviewed to determine whether they are included in the University's 10-year Capital Plan and/or support the Campus Master Plan/Institutional Master Plan.
- Projects submitted through the RCRP process will be evaluated for inclusion in the University's annual Capital Budget, which must be recommended by the Capital Projects Review Board and approved by the Executive and Budget Committees of the Board of Trustees.

V. FY 2023 Budget Formulation Detailed Timeline

Key Task	Date
FY 2023 Budget Formulation Guidance is distributed to RCs	12/03/2021
Responsibility Center Resource Proposal (RCRP) module in the Planning and Budgeting Cloud Solution (PBCS) is accessible to begin RC FY 2023 budget formulation and Excel Income Statement Templates are distributed	12/03/2021
Support RC RCRPs are due	01/07/2022
Primary RC RCRPs are due	02/11/2022
Strategic Resource Reviews with Support RCs	Mid-late January 2022
Strategic Resource Reviews with Primary RCs	Mid-February – Early March
Parameters subcommittee of University Planning and Budgeting Committee meetings and recommendations submitted to the Chancellor on key parameters	March/April 2022
Executive Budget Committee meetings resulting in University-wide budget recommendations to the Chancellor	April/May 2022
RCs informed of initial results from RCRPs	June 2022
Chancellor and CFO obtain approval for the budget from Board of Trustees	July 2022
Begin new fiscal year: shift from parallel process to implementing new Budget ReSTART model and managing to approved target budgets	Beginning in July 2022

VI. Additional Resources

Additional Information and Guidance can be found on the CFO SharePoint site, which has been developed as a one-stop location for communication and guidance on the FY 2023 Budget Formulation Process and the new Budget ReSTART Model: <https://pitt.sharepoint.com/sites/cfo>.

Planning and Budgeting Cloud Solution (PBCS): An instruction manual for using the PBCS to submit RCRPs will be available on the PBCS website at <https://prism.pitt.edu/applications/planning-and-budgeting-cloud-service-pbcs/>

Training: Budget formulation orientation and trainings will be offered in December and January. These sessions will be recorded and available on the [CFO's Partners SharePoint](#) for future viewing throughout the RCRP process.

Other Questions? Please email: rcrphelp@pitt.edu

Appendix 1: Operating Budget Narrative Form

The form below should be completed for each RC's operating budget and should be submitted as an attachment in PBCS.

Overview of Revenues (*Primary RCs*)

- ✓ How does your RC plan to utilize the revenues that have been shifted to your RC because of the new budget model?
- ✓ What opportunities exist to strengthen enrollments, improve programs, and grow research?
- ✓ What efforts will be put in place to increase fundraising and generate additional revenue?

Enrollment Plan (*Academic RCs*)

- ✓ What is your graduate enrollment plan, and do you have clear evidence for expected changes in enrollments?
- ✓ How will your tuition discounting strategy affect your expected net tuition revenue?
- ✓ Do you expect any significant changes to undergraduate enrollments?
- ✓ Please explain anticipated enrollments over the next three years and how that will affect your net tuition revenue given the new revenue allocation method in the new model:

Revenue	Allocation Method
Undergraduate tuition	<ul style="list-style-type: none"> • Allocate to School of Instruction (85%) and School of Record (15%) based on corresponding credit hours and residency up to Arts & Sciences price per credit hour • Allocate 100% of differential tuition (premiums) to School of Record
Graduate tuition	<ul style="list-style-type: none"> • Allocate to School of Instruction (25%) and School of Record (75%) based upon corresponding credit hours and residency
Online tuition	<ul style="list-style-type: none"> • Allocate 100% to School of Record
Financial Aid	<ul style="list-style-type: none"> • Direct Financial Aid: Recognize / assign directly based on program • General Aid: Allocate in proportion to allocated tuition

- ✓ Fill out table below by entering expected student FTE enrollments where X, Y, and Z are specific graduate/professional programs (please note whether any of the approved programs are online) that should sum to the Graduate/Professional total. After completing the enrollment table below. Please use the widget rate scenario planning tool provided in your RC's Microsoft Teams channel to estimate net tuition revenues.

	Academic Years					
Academic Program	AY19 - 20	AY20 - 21	AY21 - 22	AY22 - 23	AY23-24	AY24-25
Undergraduate						
Graduate/Professional (total)						
Approved Graduate Online Programs						
X (note if online)						
Y (note if online)						
Z (note if online)						

Overview of Expenses (all RCs)

- ✓ Are there areas where resources should be reallocated from lower priorities to higher priorities?
- ✓ What resources could be utilized to further Plan for Pitt or carbon neutrality by 2037 objectives?
- ✓ Are there areas of your operation that no longer need the same level of historical funding they have received?
- ✓ Are there cost savings that could be achieved by maximizing operational efficiencies?
- ✓ Does your RC plan to release space resulting in cost savings? Please explain and specify if any of the released space is classroom (departmental controlled or priority).
- ✓ Is your RC expecting major expense disruptions because of inflation? Please explain.

Subvention questions to consider (Primary RCs)

- ✓ How can my RC reduce its subvention level over time?
- ✓ What opportunities exist to generate additional revenue?
- ✓ Could expenses be reduced by maximizing operational efficiencies?

Appendix 2: Carryover and Budget Target Procedures

Defining carryover funding: Carryover funds are defined as unexpended balances at the end of the fiscal year. After estimating revenue and expenses, Primary RCs will be able to expect either a negative or positive margin (deficit or surplus). Carryover dollars are generated when an RC attains a positive net margin (after participation fees and Support RC allocations) at the end of the fiscal year or when its actual net margin exceeds its budget target at the end of the fiscal year. Therefore, even Primary RCs with subventions and Support RCs will have an opportunity for carryover funding if they exceed their budget target. As such, all RCs are incentivized to grow revenues and cut costs to generate carryovers.

Purpose of carryover funding: Carryover funding allows RCs to build reserves to better manage contingencies, multi-year commitments, and capital renewal. It also encourages the generation of carryover funding for RCs while still allowing predictable dollars to be produced for the general University budget.

Timing of Carryovers: This carryover process will be implemented subsequent to the parallel process. In other words, the first time this carryover process will be in effect will be to carryover funds from FY 2023 into FY 2024.

Carryover Procedures: At the end of the fiscal year, RCs that beat their budget target may carryover funding according to the approach below:

Primary RCs

- Academic RCs (reporting to the Provost or SVC/HS): 80% of their incremental margin is retained by the RC and 20% is retained by the Senior Officer (Provost or SVC/HS)
- Non-Academic RCs (Auxiliary and Athletics): 50% of their incremental margin is retained by the RC and 50% is retained by General University

Support RCs

- Academic Support Cost Pool RCs (reporting to the Provost or SVC/HS): 80% of their incremental margin is retained by the RC and 20% is retained by the Senior Officer (Provost or SVC/HS)
- Non-Academic RCs: 50% of their incremental margin is retained by the RC and 50% is retained by General University

Budget Targets: After the budget is approved, Primary RCs will receive a budget target that includes an approved surplus or subvention level. For Support RCs the budget target will be the approved expense budget. RCs will be expected to manage to their approved target budgets and internally fund any needs that arise during the fiscal year.

RCs that do not meet their budget target:

- ***Primary RCs*** will be required to submit repayment plans for any additional subvention required.
- ***Support RCs*** will be required to submit an explanation and remediation plans.

Carryover Examples:

- Primary RC without subvention: The School of Bigelow has an approved targeted budget surplus of \$5 million (the School expects \$10 million in revenue and \$5 million in costs, including its participation fee and allocated Support RC costs). Over the course of the fiscal year, the School of Bigelow had an unexpected increase in revenues and at the end of the fiscal year, it has an actual surplus of \$6 million because its revenues were \$11 million instead of \$10 million. The School of Bigelow can carryover \$800,000 into the next fiscal year (in addition to maintaining the \$5 million budget target) and the Provost's office would retain \$200,000.
- Primary RC with subvention: The School of Forbes has an approved targeted budget subvention of \$5 million (the School expects \$5 million in revenue and \$10 million in costs, including its participation fee and allocated Support RC costs). Therefore, the School of Forbes is expected to require a subvention of \$5 million to balance its budget. Over the course of the fiscal year, the School of Forbes had an unexpected increase in revenues and at the end of the fiscal year, it only needed an actual subvention of \$4 million because its revenues were \$6 million instead of \$5 million. The School of Forbes can carryover \$800,000 into the next fiscal year (in addition to maintaining the \$5 million subvention target) and the Provost's office would retain \$200,000.
- Support RC: The RC of Roc has an approved net expense budget target of \$10 million, which is allocated to the Primary RCs. Over the course of the fiscal year, the RC of Roc had an unexpected decrease in costs and at the end of the fiscal year, it has net expenses of only \$9 million. The RC of Roc can carryover \$500,000 into the next fiscal year and general University would retain \$500,000.

Appendix 3: Plan for Pitt Strategic Objectives

Our People	Our Programs	Our Purpose
1.1 Create an inclusive and equitable campus environment—one that welcomes, values, and embraces the diverse perspectives of every member of our community.	2.1 Enhance graduate and professional offerings in terms of their reputation, relevance, and impact.	3.1 Extend networks and supports to help students graduate on time, secure meaningful employment, and realize early career success.
1.2 Protect academic freedom; institutional independence; and the associated rights, responsibilities, and privileges.	2.2 Create more preeminent teaching, learning, scholarship, and research experiences.	3.2 Enhance the professional trajectories and personal success of our alumni.
1.3 Enrich the student experience with transformative opportunities to learn, grow and thrive.	2.3 Increase our participation and presence in multidisciplinary, solution-sized research projects.	3.3. Fuel economic development throughout the region and economic growth throughout the commonwealth.
1.4 Enhance the employee experience through robust talent development as well as transformative opportunities to collaborate, engage and advance.	2.4 Broaden our academic opportunities to include more nontraditional students and settings.	3.4 Collaborate with communities— near and far—to improve outcomes and opportunities for their residents.
1.5 Update our physical and operational environment to encourage risk-taking, exploration and collaboration.	2.5 Expand opportunities for civic and global engagement.	

Please review the supporting priorities for each objective listed above. These are detailed in the [Plan for Pitt](#).

Appendix 4: Strategic Initiative Fund (SIF) Business Case Template

*Prior to submitting a business case and for any questions and support related to completion of the SIF business case, please contact the Pitt Portfolio and Project Management Office at PPMO@pitt.edu.

Business Case Submission Date:	
Title of Proposed Initiative:	
Contact Person (name and email):	
Responsibility Center and Department:	
Amount Requested:	

1.1 Problem Statement

Provide a succinct overview of the problem or challenge to the University of Pittsburgh that is driving the need for the new initiative or project.

1.2 Case for Change

Provide the justifications for the initiative or project. Address the following elements:

Strategic Alignment and Outcomes:

- What are the goals and objectives of this initiative/project?
- How will the initiative/project directly support achieving one or more strategic objectives outlined in the Plan for Pitt and/or how will it strengthen the University’s competitive position, brand, and reputation?
- How will this initiative/project directly address the problem or challenge outlined in Section 1.1?
- List any metrics that will be used to track the progress of the initiative/project and the achievement of the anticipated outcomes.

Cost Savings/Revenue Increase:

- Identify any cost savings and/or increased revenue that will be generated over the life of this initiative/project, if applicable.
- Discuss environmental and/or social co-benefits (e.g., cost of inaction, social cost of carbon)

Risk Identification:

- Identify the key risks associated with this initiative/project.

Stakeholder Impact:

- Identify the primary stakeholders and how they will be impacted by this initiative/project.

1.3 Project Description

Provide a brief description of the major components of the initiative/project. Include:

- Primary components/actions of the initiative/project.
- Duration of the project.
- Project costs/resource needs (e.g., one-time or multi-year funding, external consultants, permanent new FTEs, capital costs)
- Indicate whether project management support will be needed (from the Pitt PPMO, Pitt IT or other sources).