FY 2022 Budget Formulation Guidance

12/11/2020

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I. Budget Formulation Process Overview

How budgets are established and managed is crucial to furthering any organization's mission and strategy. Effective budget formulation leads to better administration of an organization's resources and can also promote transparency, trust, and effective performance.

One of our budget formulation objectives is to better align budget decisions with strategic objectives. Last year, Pitt began undertaking a multi-year initiative to enhance the budget formulation process. For the FY 2021 budget, Pitt 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. Unfortunately, given the COVID-19 pandemic our FY 2021 process was cut short to pivot to scenario planning and a constrained services budget.

For FY 2022, an abbreviated budget formulation process is being used to allow the University to focus on existing issues and initiatives, including the ongoing pandemic and finalization of the University's new strategic plan. As the University finalizes the Plan for Pitt 2025, and hopefully emerges from the pandemic, we plan to implement a more robust budget formulation process for FY 2023.

The following is an overview of the budget formulation timeline for FY 2022:

	Budget Formulation Timeline			
	Develop Responsibiity Center Resource Proposals	**Hold Strategic Resource Review Meetings**	**Finalize Funding Recommendations**	**Manage Budget Throughout Fiscal Year**
Process Timing	December - January	late January - mid-March	April - June	July 1st - June 30th
Primary Objective	Update RCRP requests and prioritize top 1-3 requests	Meet with deans and RC heads to review requests; senior officers prioritize top requests	Review senior officers' top funding requests and make recommendation to Chancellor; set University budget through shared governance engagement	Board of Trustees approve budget in July and manage budget based on approved allocations

II. FY 2022 Responsibility Center Resource Proposals (RCRPs)

RCRPs are the first step in the budget formulation process to better understand RC resource needs. To inform each RC's resource proposal, Planning and Budgeting Cloud Solution (PBCS) reports all operating resources (Entities 02 unrestricted educational and general, 03 auxiliary and cost centers, 04 discretionary, 05 sponsored projects, and 06 plant) recorded in each RC's

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general ledger accounts for the FY 2019 Actual, FY 2020 Actual, and FY 2021 Loaded Budget. This is intended to provide more transparency into holistic RC operations. Each RC should consider how all funding sources will be utilized in FY 2022.

The RCRP process is an opportunity for RCs to update and explain planned initiatives for FY 2022 and to advance their top 1 - 3 resource requests that further their strategic priorities (for academic units, these are the strategic priorities in the annual plan update). RCRPs will include three components:

1) **Operating Budget FY 2022 Fiscal Guidance**

    Given the uncertainy of the pandemic, it is unclear what resources will be available. However, as the University continues to more closely tie resource allocation decisions with strategic priorities, we are asking RCs to take a holistic and strategic look at their operating budgets for FY 2022.

    Within the *FY 22 RCRP Submission Narrative*, RCs should explain any updates to their planned strategic initiatives for FY 2022 and their highest priority funding requests and be prepared to discuss those initiatives at their Strategic Resource Review meeting (refer section V). These two questions will need to be answered:
    - What are your planned FY 2022 strategic initiatives?
    - How will those initiatives impact your existing budget, if approved?

2) **Operating Budget Requests**

    Each RC may update, delete, or add new one-time and/or permanent operating budget requests to those that have been pre-populated from last year's process. Each RC must complete the **RC Request Summary** tab in the Operating module by indicating 1 - 3 of the RC's highest priority requests to advance to their senior officer / senior management. Within the *justification narrative* for the request on this required tab, RCs should explain:
    - How, if approved, will the new funding advance the RC's strategic priorities?
    - What is the impact if this funding is not approved?

3) **Capital Budget Requests**

    Each RC may update, delete or add new capital budget requests greater than $50,000 to those that have been pre-populated from last year's process. Each RC must complete the **RC Request Summary** tab of the Capital module by indicating 1 – 3 of the RC's highest priority requests to advance to their senior officer / senior management. Requests should be consistent with the Campus Master Plan. Requests below the specified threshold should be managed within each RC. Within the *justification narrative* for the request on this required tab, RCs should explain:
    - How, if approved, will the new funding advance the RC's strategic priorities?
    - What is the impact if this funding is not approved?

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The one-time and permanent request process is intended to capture all needs simultaneously to reduce the need for ad-hoc funding requests (for both operating and capital). Consequently, RCs will need to internally fund any requests or needs that arise during the fiscal year. The capital request process includes additional narrative questions this year to tie-in to existing university processes.

RCRPs should be submitted in PBCS according to the detailed timeline in section IV.

III. Budget Priorities

Requests that RCs indicate in the **RC Request Summary** tab to advance to their senior officer / senior management will need to be classified as Strategic or Operational. For those same requests to be advanced, the RC will also indicate whether the request priority is high, medium, or low. It is expected that high priority requests will be the ones advanced by RCs.

IV. FY 2022 Budget Formulation Timeline

	Key Task	Date
1.	FY 2022 Budget Formulation Guidance is distributed to RCs	12/11/2020
2.	Responsibility Center Resource Proposal (RCRP) module and the Operating and Capital intake modules in the Planning and Budgeting Cloud Solution (PBCS) are accessible to begin RC FY 2022 budget formulation	12/11/2020
3.	RCRPs are due within PBCS for review	01/22/2021
4.	Strategic Resource Reviews with each RC and the SVC/CFO, SVC/Provost, SVC for Health Sciences, and/or SVC for Business and Operations (as applicable), and AVC Planning, Design and Real Estate (as relevant for capital project requests)	Late January – Mid-March 2021
5.	SVC/CFO and SVC/Provost, using feedback from other Senior Officers, will determine what to propose to the Parameters subcommittee of University Planning and Budgeting Committee (UPBC).	Beginning of April
6.	Parameters subcommittee of UPBC meetings and recommendations submitted to the Chancellor	March/April 2021

	Key Task	Date
7.	RCs informed of initial results of RCRP for FY 2022	June 2021
8.	Chancellor and CFO obtain approval of FY 2022 Budget from Board of Trustees	July 2021
9.	Target Letters are issued and RCs need to manage to their allocated levels	Early August - June

V. Strategic Resource Reviews

Similar to last year, in an effort to gain a holistic understanding of each RC's resource needs, each RC will be invited to a Strategic Resource Review meeting between late January and mid-March. These meetings will inform University leadership resource decision making.

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

RCs should plan to discuss their RCRP in tandem with their strategic objectives. More information regarding the timing of these conversations will be released in January.

VI. Review and Approval Process

The governance structure for resource decision-making remains the same as prior years. Prior to submission, RCRPs should be approved by RC leadership and reflect strategic priorities set by RC Planning and Budgeting Committees. 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.

RCRPs will be evaluated by University leadership based on priorities advanced by senior officers. Consistent with prior years, final resource recommendations will be presented to the Chancellor through the University's Planning and Budgeting Committee, the SVC/CFO, and the SVC for Business and Operations. 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, which generally occurs after the Commonwealth budget is approved in early Summer.

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VII. Additional Resources

Additional Information and Guidance can be found on the CFO Sharepoint site, which has been developed as a one-stop location for all of the communication and guidance on the FY 2022 Budget Formulation Process: https://pitt.sharepoint.com/sites/cfo

Planning and Budget Cloud Solution (PBCS): An instruction manual for using PBCS to submit RCRPs will be available on the PBCS website at https://prism.pitt.edu/applications/planning-and-budgeting-cloud-service-pbcs/ at the end of the day on December 11th.

Other Questions? Please email: rcrphelp@pitt.edu

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