DATE: October 24, 2013

TO: Deans and Vice Presidents

FROM: Daniel Linzer, Provost

SUBJECT: FY2015 Planning and Budget Cycle

As we begin the planning and budget process for the upcoming fiscal year, our ongoing challenge will be to find the appropriate balance between our ambitions and our resources as we seek to achieve our institutional aspirations. We have continued to make great strides forward over the past year, and I look forward to our continuing this trend, while remaining appropriately cautious given the uncertain climate in which we operate.

Another outstanding group of undergraduate and graduate students entered the University this fall, with this year’s freshman class the most diverse in our history. Our faculty continue to receive national and international recognition for their work and Northwestern’s online learning endeavors with Semester Online and Coursera have continued to move forward, with the launch of the first Semester Online course and six Coursera MOOCs this fall and winter.

As we prepare to announce publicly the University’s upcoming capital campaign, we can point to some significant gifts and transfers of funds made to the University during the past year. Specifically, we have monetized the remaining royalty stream from Lyrica, which adds to existing endowments for undergraduate financial aid, graduate fellowships, faculty start-ups, retentions and research support, and capital reserves - including renewal and replacement. Additionally, with the successful clinical alignment of the Northwestern Medical Faculty Foundation (NMFF) and Northwestern Memorial HealthCare (NMHC), NMHC is providing recurring and one-time flows of funds, in support of the Feinberg School of Medicine and the school’s Research Expansion Plan. In addition to the benefits accruing to the budgets of these areas, we will have additional investment income to allocate toward other programmatic areas, as most of these funds have been added to the endowment.

A number of transformative capital projects are underway on the Evanston, Chicago, and Qatar campuses, with others in the planning stages. Projects under construction include the Music/SoC building and the Visitor Center and parking garage (all part of the Southeast Campus Development Plan); North Campus Multi-Use Space Facility and parking garage; and J-wing infill in Tech, all on the Evanston campus; and our new building for NU-Q in Education City, Qatar. Evanston projects currently in design include the new Kellogg School of Management building; renovation of Kresge Centennial Hall; the Ryan Fieldhouse of the Lakefront Athletics Complex; and the backfill renovations in the Frances Searle building and Theater and Interpretation Center. On the Chicago campus, we are planning the new Medical Research Building and an expansion of the Law School’s atrium. Projects in preliminary planning include future phases of the Lakefront Athletics Complex and improvements to student housing, Deering Library, and Norris University Center.
These new and renovated facilities will have a major positive impact on the quality of academic and student life at Northwestern. We are funding these capital improvements primarily through fundraising, but also drawing on the University’s working capital, contributions from our clinical partners in the case of the new FSM research facility, and full support for the NU-Q building in Doha from the Qatar Foundation. Despite significant investments made to date, substantial additional fundraising is needed in order to complete these facilities. The capital costs for the proposed projects are approaching $2 billion, approximately $1 billion of which will need to come from fundraising or other sources. Because of the large portion of the University’s available working capital invested in these facilities, we will not have funds available for considering other capital requests from units for FY2015 (see Facilities section of the Planning Questions).

The operating costs of these facilities, increases in undergraduate financial aid and health care costs (driven in part by the Affordable Care Act), and anticipated salary pool increases will consume much of the new revenue generated by tuition increases (smaller than in past years), endowment payout, and other revenue sources. As a result, the amount available from central funds to invest in academic, student, and administrative initiatives is limited. We have identified approximately $3 million to make targeted investments in FY2015 for academic priorities identified by the schools, student priorities identified by the Undergraduate Budget Priorities Committee and Student Affairs, cross-institutional strategic plan priorities identified by the Catalyst Workgroup, as well as Information Technology, Library, and Enterprise System, and University-wide best-practice/compliance investments. You should realize that in a typical year the deans and vice-presidents put forward plans that if funded fully would call upon much greater amounts than we will have available to distribute, and therefore we will need your help in establishing clear priorities and in identifying sources of support in addition to the University’s operating budget. Our ambitions as a University require a diversified funding strategy, of which investment from University recurring and non-recurring resources (emerging from the planning and budget process) is only one source. Continued fundraising, use of school and vice-presidential area funds, and identification of potential new sources of revenue are all part of this funding strategy.

Going forward, we must identify funds to help augment our traditional sources of revenue in order to fund investments in new academic, student, and administrative initiatives. We ask schools and vice presidential areas to continue to look for efficiencies in their operations; to review carefully existing programs and exercise considered judgment about their expansion or contraction; to use judiciously each area’s endowed funds, gifts and reserves; and to collaborate with other units where possible before seeking partnership from central administration in sharing in the cost of program investments.

Balancing the risks of impacts from external pressures (i.e., the economy, volatility of world financial markets, and federal and state support) with investing in our highest strategic priorities will continue to challenge us. In the current environment, uncertain Federal budgets, as evidenced by the most recent government shutdown, debt ceiling debate, and sequestration, will be an ever-present risk to our budgets and liquidity if the government cannot pay its bills and we need to support research expenditures from the University’s cash reserves. Framing your school’s or unit’s accomplishments, goals and investment collaboration requests around the four pillars of NorthWestern Will, the University’s strategic plan, will be helpful to us in monitoring the progress of the plan, refining priorities, and establishing benchmarks for success going forward.
Preparatory Meetings
Given the need to focus on a discussion of your school’s or unit’s strategic priorities and how these relate to the University strategic plan and capital campaign planning, we ask that you plan to use the preparatory meeting(s), to the extent possible, to review your unit’s financial forecasts, raise any resource issues, and identify any specific requests that you may have. We ask that you provide a copy of any materials that you plan to discuss at this meeting to the Office of Budget and Planning three business days prior to your scheduled preparatory meeting.

Provision of Materials and Responses to Planning and Special Topics Questions
We request that you forward an update of your planning documents to the Office of Budget and Planning at least two weeks in advance of your scheduled Planning and Budget Group meeting. Please use the attached planning questions as a framework for the planning documents you forward and provide these documents in a separate section of your materials (or as a separate document). Please be advised that we are asking that the IT related responses be returned to Jean Shedd in the Office of the Provost by November 20, 2013. We also ask that you also complete your unit’s all-funds presentation (attached, including instructions).

cc: Morton Schapiro
FY 2015 Planning and Budget Process
Planning Questions, Special Topic Information and Instructions

The following questions are designed to provide: 1) a framework for understanding your area’s priorities and their relationship to NorthWestern WILL, capital campaign planning and other University priorities, and 2) resources and information on information technology needs.

I. Planning Questions and Resource Profile: To be provided as part of the materials transmitted to the Office of Budget and Planning two weeks prior to your scheduled meeting. Please allocate one section of your document to answering these questions.

Your Area’s Strategy:
  - What are the areas of future growth, contraction or stress for your unit, e.g., new programs, service enhancements, faculty recruitment and retention, new/renovated facilities, fundraising, other initiatives?
  - How do your area’s strategic plans connect with recommendations emerging from the University’s strategic planning process (a summary of the strategic plan pillars and priorities is attached)?
  - How do your area’s strategic plans relate to the development priorities that you have shared with the Provost and Alumni Relations and Development.
  - Please update the metrics or the operational scorecards that you use to judge your area’s success.

Your Area’s Resources:
  - What has the effect of sequestration been on your unit?
  - How are new initiatives led by your unit being leveraged through collaboration across the institution?
  - Please describe how recently-allocated central resources have been used by your area, and what impact the funds have had.
  - What are your area’s strategies for containing expense and for funding cost increases and new investments from your unit’s existing resources or potential new sources of revenue?
  - Area Reserves: Please provide a status of your unit’s reserves including an accounting of all known commitments and anticipated additions to reserves in FY 2014. (This is a critical step, as the status of these funds and your commitments against these funds are reviewed when considering your investment requests.)

Perspectives on the Allocation of University Resources and Central Services:
  - Are there central services that could be improved, reorganized or rethought given the current strategic priorities and business requirements of your area?
Information Technology

Implementation of the new IT governance framework, launched in FY2012, continues, with three advisory committees that address educational technology, administrative systems, and infrastructure now meeting regularly. A fourth advisory committee, on research technology, has been formed, and will begin to meet shortly. Over the past year, these committees have been actively exploring current IT initiatives and priorities, and will continue the process of seeking insights and feedback from the community, as planning for the FY2015 fiscal year begins.

Feedback received previously from the deans and vice-presidents, in response to these questions, has been very helpful in identifying opportunities and needs for business and infrastructure improvements that can be supported by IT initiatives. We anticipate sharing responses to these questions with the IT governance groups and the Planning and Budget Group. Please submit your responses to the following questions to Jean Shedd in the Office of the Provost by November 20, 2013.

Questions

1. What are the biggest IT challenges your school/unit currently faces in achieving its strategic goals?

When considering your range of possible answers, please think about all areas of services (teaching and learning; research; administrative systems/work processes; IT infrastructure; community engagement).

2. There are many activities and discussions occurring on campus that are aimed at incorporating new approaches to teaching and learning that incorporate aspects of online content: MOOCs, fully online courses, flipping the classroom, blended learning, active learning.

What IT activities are taking place in your school to begin to incorporate these pedagogical approaches into your curriculum?

3. What are your biggest unmet IT needs for research computing in your school/unit?

4. We are looking for ways to improve the portfolio of IT services at Northwestern by thinking about IT more broadly at Northwestern (IT@NU), rather than NUIT and a set of decentralized independent IT units. Reflecting this change in thinking, we want to look at services that are currently being offered, or are under consideration, by a school or unit, but which might be attractive to other schools and units, and could gain traction and support by broadening the audience. Are there any such services that you would like to bring forward for consideration by the community? Are there any such services currently offered in other schools or units that you would want extended?
Facilities

Given the University’s investment in a number of high priority, large capital projects and institutional contributions to capital requirements associated with faculty recruitments and retentions, we do not have funds available to consider additional requests this year. Thus, we are not asking units to identify new capital requests for FY2015. We do ask that you review your requests from the last several years to determine if any of them that were not funded require closer review. If there is anything here that you feel merits a closer look, please identify this in the materials you prepare for your area’s preliminary meeting.
Strategic Plan Pillars

**Discover Creative Solutions**
Biomedical Sciences
Design
Energy and Sustainability
Global Health
International Studies
Markets, Social Structures, and Public Policy
Media
Nanoscience
Performing Arts
Writing and Oral Expression

**Integrate Learning and Experience**
Experiential Learning
12-Month vs. Episodic Learning
Modules
Team Advising/Mentoring
Teaching Across Schools
Teaching Innovation

**Connect Our Community**
Diversity
Gathering Spaces
Traditions
Athletics, Arts, and Academic Events
Staff Participation and Development
Alumni as Life-Long Learners
Access Beyond the Campus

**Engage with the World**
Partnerships
Global Sites
International Students and Activities
Global Research
Civic Engagement in Chicago, Evanston, and Doha
FY 2015 All Funds Template Guidelines

The purpose of this template is to summarize budget requests in the context of the school or unit’s overall financial situation. This is a forecast and not a budget; therefore expected surpluses or deficits should be clearly represented in the template.

Column A
The University Appropriation is a revenue source to the Area. This amount is derived by subtracting the Total Revenue Budget from the Total Expense Budget, and should be recorded on L1. Other revenue that supports the Area’s expense budget should be recorded on L2 through L7.

L9 through L21 should detail the Area’s FY 2014 Expense Budget.

Column A, Revenues and Expenses, should include any recurring budget adjustments.

Column B
To be provided by the Office of Budget and Planning. This will be based on a preliminary estimate of parameters that will be subject to change.

Columns D&E
If relevant, please split your Designated fund into two components: "Dean or VP Managed" and "Department or Faculty Managed."

Columns F&G
Self-Supporting and Recharge Center FY 2015 estimated revenue and expense budgets should be detailed here. These typically include activities supported by tuition revenue sharing. Where applicable, please attach a list of tuition revenue sharing agreements. It is expected that in many cases revenue should equal expenses on these columns, but this forecast does not require that they be forced to balance.

Columns H&I
Projected activity in FY 2015 of Gifts and Endowment Income Funds, not including those budgeted to support the Area’s appropriated expense budget (see above, Column A guidelines). Revenue will typically not equal expense.

Columns K&L
Requested Recurring and Non-Recurring Funds should be included in these columns, as detailed in the Area’s planning materials.

Column N
Projected Sponsored Research income and expense for Fiscal Year 2015 (not awards). Revenue and expense may be assumed to equal unless there is a reasonable explanation of why they should differ.