

who asked them after the fact, so that you know Ronnie is tracking every question that's asked we just want to make sure that everybody is heard and that we can get you the answers that you need.

In addition to asking questions throughout, we will have some time at the end for just a general Q&A. So, I'll pop back on and help moderate that but, hopefully with the content and through your questions, we can really get some good information here today. So, with that Jake I will turn this over to you and look forward to learning with and from you.

Jake ~~70A Td0j03e~~

know, I guess, I would say, I would say, a lot of times we're all engaged in planning and we talked about strategic planning and the need to plan and we spend a huge amount of time and effort on it.

And my really strong sense, I've said this to many folks is you know planning without the resources or budget behind it is just hope. And so really the importance of a budget is to make sure that when we plan as an institution and then, as we execute that we have the resources to be able to...to do that and it's not much more than that. It has some has very different roles at each institution, though, so next if you can go to the next slide please.

So, it really is a mechanism for setting priorities, again, you can call something a priority, but if you don't fund it – it really isn't and I think that, if you look at a budget you look overall at the at the university's budget you know where we are expanding our...our resources, you know really sets our priorities and so, so it is absolutely a way sort of the actualization of where we think our priorities are as an institution at any one given time.

And, given that might what I said earlier about you know planning it's a...it's a plan of action, and so, when you have resources, you can take the action you can run programs, you can provide, you know, support for students, you can undertake professional development, you, these are all actions that we do in our daily work and the budget sort of frame that. It's a contract and I think this is really important it's sort of a contract between, you know the...the senior leadership of the university and the various operating units, so that we say you have a budget then, until we say otherwise and...and, unfortunately, as you know, in the past several years we have had to do that...it's a commitment that you can expand against this, you know these expenses that you have against revenues that we're providing as an institution. It's also a contract in that we get many of the sources of our revenue...revenue that we're gonna talk about in a few minutes you know come with restrictions and so, for example when, we have federal financial aid, there are certain restrictions that come with that, when we have direct costs for the almost 900 actually over \$900 million dollars in research expenditures each year the you know, the direct costs have restrictions and so it's a contract to make sure that we meet those restrictions and how we expend the money. It's a control mechanism.

And again, one could make the argument that it hasn't really, hasn't fully worked in Northwestern over the past several years, and in fact we've been spending quite a bit of time, making sure we come back to that, where we ensure that our expenses don't extend beyond our revenues and...and so when you many of you have to go through quarterly projections and or those on your staff need to do that on this is part of that control mechanism to make sure that we're expanding at the rate we thought, if there are any changes that are coming in that in terms of that, or if there are environmental factors, a pandemic, for example, that we are, you know that we're making sure we control and modulate our expenditures.

It's a gauge of institutional risk. So it's interesting Julie mentioned I've been here in August it will be...ahhhhh...not ahhhh...but it'll be 25 years – seems like a long time that's...that was my reference there. IAtf 0 (y)v002 Tc

conservative in terms of its investments and really wanting to ensure that you know more than anything, we had a balanced budget, there was a real pride in that and there's...there still is. But

previous...previous budget and just moving forward. Now the challenges we've had here over the past several years um, you know, we have gone the other way. Let's just be, I'll be very upfront with you we've detrimented. And so, you know we were at you know X and then you know, over the past two years X minus you know Y percent based on you know the non-personnel expenses that were cut out of the budget. And, frankly, is...your...everyone is aware, and I want to be upfront that the personnel, the human resource increments have been taken out of the budget. So...so it does work both ways, but again it's on incremental basis either way when you look at it.

Responsibility Centered Management is called, many you'll hear people call it RCM you might hear people call it, tubs on their own bottom. Basically, it means that there are in in this environment or your schools and administrative units, predominantly your schools actually would be you know sort of having their own revenues and their own expenditures.

So here at Northwestern we have a hybrid model So, our undergraduate schools are what we call appropriated schools, meaning that they get an appropriation, an allocation from the central budget every year to fund their...their activities. Our professional schools, however, are in this RCB model, which means that the revenues come into them, come directly to those schools and then they're responsible for matching their own expenses against those revenues on an ongoing basis. And so, for example, if there was a situation where Kellogg ended up going into the deficit, Kellogg is responsible for meeting that deficit. It may be that they have to take a loan from the University, which we hope again, this is not happening just to btiana cer,l

I mentioned zero budgeting based budgeting, because it comes up a lot. Oh, you know somebody comes in, or you need to zero base budget, and you know it is something that you see many, sometimes when a new leader comes in, you want to Zero base. Which basically means going back and not assuming increments. So, you're going to go back and say we're starting from scratch and making sure that every activity is justified in our unit, in our area and that we know what it costs and then we know what the revenues that are going to be applied to that.

It takes a huge amount of time and again, if you think about the fact that between 65 and 75% of the expenses in any given unit or an organization are human resources, you know you have to be if you're going to do zero based budgeting, you really have to be willing to look at the human...human resource expenses and that's a challenge for a lot of folks. So, it's out there, has to be used and really focused in areas, and so, if you're a unit that's just been incremented for a long period of time, it may be, you know that your leader decides let's kind of let's go back to square one, and see where we are. Really challenging, difficult to run at a whole institution. Rarely really does it happen. If it does happen, sometimes it's more on the non-personnel expenses that it's done.

Next.

Julie Payne-Kirchmeier: Jake?

Jake Julia: Ya.

Julie Payne-Kirchmeier: Real quickly, I'm trying to connect a couple of things here. When you talk about responsibility centered budgeting these budget methodologies, I know that within Student Affairs, we have a few different approaches, given the different units that report up through us.

Would an appropriate comparison be that, maybe our Residential Services area is funded more like budgets more in that space versus the other areas within the Division of Student Affairs?

Jake Julia: It is fair to say that I think you know when we get to the next slide Julie we're talking about sort of auxiliary budgets.

Julie Payne-Kirchmeier: There we go...

Jake Julia: I think you know, in some ways it's a terminology issue...but yeah absolutely you know those...those if you look at this, the second sub bullet there, things like you know, like Residential Services, The Bookstore you know...you know would be auxiliary enterprises that kind of have their own revenues and their own expenses absolutely. I think a little bit more targeted when we think about auxiliary versus overall bk Td

Jake Julia: Are there other questions? I will take a breath here. Anything else I should...like to answer at this point?

Julie Payne-Kirchmeier: Not at this point...no it doesn't look like it.

Jake Julia: Okay. Great. Super.

So, you know we talked about budgets, you know a lot of times what people are talking about are operating budgets and that's the day-to-day sort of expenses of the institution.

At Northwestern and it's about \$2.6 billion dollars. It's comprised of restricted and unrestricted funds. So restricted funds are those...pretty much what they say! They are they're restricted use. So, it would be, many times gifts that come in have restrictions and how they can be spent, and when they can be spent, and by whom. I mentioned earlier, direct costs associated with federal grants are restricted. If we have state...state appropriations we don't have significant state appropriations, but the state does provide funding for some programs.

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We talked about auxiliary enterprise budgets already, there are several within Student Affairs, and many of you are, several of you, I know have those responsibilities of oversight in those areas. And then hospital operations, the clarity here is that it's a...we have affiliated hospitals. I think, I just...just point that out that in some institutions, the hospital budget and the university's operating budget are...are connected and almost integrated. And here, our hospital operations in our affiliation forwards funding is a resource source for us basically an ongoing basis, you know, based on our relationship, but it isn't you know part of our budget it's separate basically.

And then just Service Center budgets are within the you know, our budgets like there are instrumentation...you know service corps, for example in some of our schools and they have their own budgets, because again there you might say they're an auxiliary or an RCM type model as well. Where they need to internally charge their budgets and we just want to make sure we're tracking what's being expended there.

And then yeah Lori, thank you for that comment, you know that absolutely endowments and gifts are very much you know, on the restricted are restricted funds that come in, not always and I think there's a lot of excitement when an unrestricted gift comes in, but many of them, respecting and understanding the donors have very explicit...you know what areas where they want their expenditures to go...go through.

And then capital budgets, actually if we flip to the next slide please.

So, you know capital budget, you know it basically is you know, we define a capital project is anything with a total project budget over \$100,000. So if you've come from other institutions or you come from smaller institutions you know, it could be in some institutions, they call capital anything over \$5,000 I think it really depends on the institution, the size of the budget, the complexity of the budget and so here. And you know I won't read the sub bullets, but basically this sort of defines when you think about a capital request or you may be in a position where you w

F&A...finance and administration rate or indirect cost recovery and it's a percentage of each that comes in, with each grant it's kind of an overhead. And while the idea appropriately is that since it costs way more to do research, then the grants actually will cover, you know that the

For some corporate gifts there are direct and indirect costs but rarely are...they're NOT let me be explicit, at the same rate as the as the federal rate. And, in many cases the university makes the decision that, depending on the amount of the of the corporate or foundation, would be a better way to say, gift, it may be that we, we would take a lower rate of that because we feel it's really important to receive it. So, the...the indirect rate, I was talking about earlier is predominantly for the Federal major agencies.

In terms of endowment again, you know, there is the resource, and the revenue comes in, predominantly for the operational use from a pay out that halTga Tw 8.99 0 Tda Tchat w01 a Tc 0

And so again we're not here to you know, to have our faculty be making inventions that make money, but when they do there's a...you know there's a revenue stream that comes in, from that and...and we take advantage of that.

Next, please.

Okay, on the expense side you know, again I mentioned, really, really briefly earlier there are human resource expense, you know, salary and benefits we just want to be clear 53805 Tc -0. (i) 4sp4# TJ0.00

and staff compensation pool. We're very aware of kind of the constraints we've run over the last three years

Yes, just again so you know we have a number of meetings you know, in the fall where we talk about you know areas of you know, of priority and where they how they fit into the overall budget planning. All the schools and Vice President units present their strategy and their funding options to you know the university leadership for consideration. And then there is that consideration, and then basically you know, in May, June we roll out with the decisions are for next year.

Fiscal year, I didn't even mention that and I should – Here at Northwestern it is September first to August 31. So FY22 is September...starts September 1, 19.....no not 19 that's awful...2021 sorry.

Next slide.

Julie Payne-Kirchmeier: It's okay. Julie Payne-Kirchmeier is a Senior Lecturer at Northwestern University. She has a PhD in History from Northwestern University and has taught at Northwestern since 1991. She is currently teaching a course on the history of the United States in the 19th century. She is also a member of the Northwestern University Faculty Senate and the Northwestern University Board of Trustees.

Um another question that we got submitted, and this is from Kim...Thank you Kim...You talked a little bit about you know federal and state funding before, but you know as a private institution in general, what kinds of federal and state funding do we receive and do we think it's going to change because of covid?

Jake Julia: Yeah so, the predominant...the predominant federal funding that we receive is through our you know the major funding agencies for funded research, for you know funded research, so I don't I don't mean to leave anything out but NIH, NSF you know NEH those sorts of agencies that's predominantly for us where it comes through.

Sometimes we have specific projects that really the state feels adds to the economy here and they provide funding, you know for again predominately capital funds.

In the past we've had some matching funds, you know from state aid, you know, to help bolster our some of our student aid I don't know that we, you know, given the status of the Illinois budget that that's actually something that we're still experiencing, but that might be an example. Versus

Julie Payne-Kirchmeier: You mentioned, like flexibility or some of these urgent things we had a question come into the chat but what flexibility exists in the budget for emerging issues that may arise.

So, for instance, matters that are identified, as you know, important by students and then maybe acknowledged by staff so in our case, we hear that a lot with CAPS we hear it sometimes with HPAW and some other needs.

Jake Julia: So there, there is, I think, inevitably, in a in a \$2.6 billion budget think that there is there are opportunities to reallocate or to kind of utilize sort of what I would call carry forward or surplus funds basically. Now again, I would say that in the past couple of years we've also been cautious about using our carry forward funds because there are implications that GAPP accounting that I talked about earlier, very briefly. But that is an area that's an area that you know that in emergencies, you know we've said, well, we need to approve the use of those surpluses for emergent things. The other thing is that there is, you know there's what's called an institutional contingency. Not a huge amount of money, but if there's something that we really feel can't wait for the next budget cycle, then we may utilize that as well and it...it varies. I'm not trying to be cryptic, but I would...I would hesitate to say what that is at one given time, basically.

constraints, over a year ago, maybe a year and a half ago. It's still evolving, but I think you're going to find some flexibility as we move forward.

Julie Payne-Kirchmeier: Great thanks Jake and we got that same kind of feedback, I think, from Daniel but we just have to be intentional and purposeful it's not a free for all, so this this does connect over you talked in that even in your answer there about priorities, right? And we had a couple questions about priorities come through, one is a general one like how are the universities budget priorities even determined? Yeah so that's one. And then one more specifically Kelly Benkert, thanks for the question, about the public commitments about racial equity and what that conversation may be looking like in overall budget discussions.

Jake Julia: Yeah so, so I think that...you know, on, I mean absolutely I think that we are trying to what we try to do is to think what our institutional priorities, what we have said, our institutional priorities are and how are we matching that. So if you go on the, I think it's the Provost website, you can find there are university strategic priorities, and I think that we come back to those and, as mentioned in this presentation as well to say all right, you know, or is this something that we're going outside or is this something within those...and they are very broad I respect that, but...but still think that we really try to do that. And so when folks like you Julie come in and you give your presentation to the you know, when you have a strategy meeting, you...you and your team that did a great job of sort of laying out this is where what we're advocating for as it relates to the university's priorities, so I think on that front that's kind of that's the kind of the guiding it's a framework for how we would go about that.

I think, on the on issues of racial diversity and social activism and ensuring that we're being aware, I think that that comes you know, certainly is one of the priorities of the institution. I actually think that we need, and I'm looking in the mirror when I say this not...not saying other people can do better at communicating what we have invested in what we want, what we've approved in terms of our investments in those areas, basically, as we go forward and you know we are listening to advocates on an ongoing basis, you know, in terms of what are our priority needs and how those fit. And there are tradeoffs, we're...if we're if we are investing in some areas, we have to make an institutional commitment that we may not invest in other areas as well. And again, not saying there's...there's no value judgment in what I just said, simply that that's part of what...what we do as we go forward.

Julie Payne-Kirchmeier: I just want to check in and Kelly B thanks again for the question there's a second part to it about any racial equity goals being set using our economic powers and anchor institution in Evanston and Chicago and that may be a more a deeper component of...of what you just discussed, but Kelly Benkert, I just want to make sure is there anything else that you want to add to that or is that an answer, then we can follow up later?

Jake Julia: Ya, I would while...while...while you're asking, I would just say, you know that that is part of what we're talking about I mean, I think you know, there are number of things that we work through Dave Davis through David Figlio through other of our schools, as well as what we hope is contributing to a broader sort of impact, you know beyond our campus and, you know,

effort and labor in creating this presentation and sharing your expertise we really appreciate you being here and teaching us all. I learned things today and I've been here nine years have done budgets for a really long time, so thank you so much for that. Remember this is step one in a series and so next month Lori Gordon our own resident expert