Welcome

NSULA Strategic Budgeting Committee

Decision Brief

18 November 2015

Committee Membership: Ben Rushing (chair), Carl Jones, Marcus Jones, Jim Picht, Marcia Hardy, Carmella Parker, Shayne Creppel, Massimo Bezoari, Haley Blount, and Frank Hall.
Mission

Analytical Finding – Up Front Recommendation

Analytical Approach
- Mission Analysis
- Review of Current NSU Model: Strengths, Weaknesses, Ideal Attributes
- Budget Models Considered
- Review of Other University’s Model’s
- NSU Survey Findings

Decision Matrix Criteria – Defined

Decision Matrix

Guiding Tenets

Concept of Operations
- Calendar Exemplar
- Implementation Timeline for Consideration
- Briefing Format

Recommendation

What remains to be done
Based on our collective research and analysis our recommendation is the Planning, Programing, and Budget Execution Model.

This model allows for transparency throughout the entire process. It is requirements driven and inclusive of all stakeholders ensuring decisions are tied to our strategic plan / priorities. It is predictable, deliberate, repeatable and most importantly easy to understand.

Can be implemented within six months.
“Evaluate the current budgeting process, research alternative budgeting models, and recommend a budgeting model for NSULA that is transparent, predictable, robust, and aligned with the stated and published strategic goals of NSULA. Additionally, the committee is charged with developing a plan and recommended timeline for implementing the new budgeting model.“(President Henderson, 7 Sep 15)

**Endstate:** A budgeting model that is transparent, predictable, and aligned with the achievement of our strategic intents.
Specified Tasks

• Analyze NSU’s current budgeting process

• Research Alternative Models

• Ensure recommendation is transparent, predictable and robust

• Selection must support Strategic Framework / Plan

• Recommend a Implementation timeline
Implied Tasks

• Recommendation must be tangible – more than conceptual
• Develop comprehensive instructions to guide process
• Develop a standardized submission / briefing packet
• Develop checks and balances / support to Strategic Framework / Plan
• Must develop Implementation Calendar
• Ensure there is an educational process
• Expectations management – will not be perfect first time - adjust
Committee’s Analytical Approach

✓ **Sub-committee 1:** Evaluate current NSULA budgeting process.

✓ **Sub-committee 2:** Evaluate budgeting processes used by other Universities.

✓ **Sub-committee 3:** Solicit information about strengths and weaknesses of current NSULA budgeting process from NSULA publics. Solicit information about strengths and weaknesses of budgeting processes at University X and Y.
NSU uses a centralized budget model

- Prior to 2008 used PPBES Model
- Driven by environment (budget cuts – lack of funding)
- Neutral or incremental allocation (just keep the doors open)
- Small select decision making group (invitation only)
- Predetermined allocation (only critical issues funded)
- Rapid decision making and execution
- Maintained healthy reserve (just in case – anticipatory)
Areas of Concern:

- No Transparency
- No Collective Support - Ownership
- Neglected Infrastructure – Organizational Requirements
- Decisions not tied to Strategic Plan – Goals
- Little Checks and Balances
- Process not consistent
- Limited Budget Capabilities / Understanding

All underpinned by local survey.
Areas of Strength

- University Continues to Provide Excellent Service
- Increased enrollment
- Greater Understanding of realm of the possible
- Core of Experts
- Viable Strategic Framework
- Clear Expectations
- Willingness to adapt
- Historic understanding and bones of PPBES
Ideal Attributes

- Transparency Throughout Process
- Requirements Driven - Inclusive of all Stakeholders
- Decisions tied to strategic plan and priorities
- Informed Executive Decision Making
- Predictable / Deliberate / Cyclic process, easy to understand
- Can be implemented within less than six months

Dedicated to One Goal....Yours!
University Budget Models Considered (Hanover Research)

- **Centralized Budget:** Centralized decision making by upper level administrators.

- **Incremental Budget:** Allocations based on funding levels of the previous year.

- **Zero-Based Budget:** Must re-request funding and re-justify every budget cycle.

- **Activity-Based Budget:** Awards financial resources to activities with greatest return.

- **Planning, Programming, and Budget Execution:** Allows long-range projections and cost benefit analyses to link plan & resource allocation.

- **Performance-Based Budget:** Resources based on outcomes achievement.

- **Responsibility Center Management (RCM):** Operational authority and resources given to each unit; Responsible for own expenses-a subsidized tax/shared pool.
Universities Reviewed

- Auburn University
- University of Washington
- Indiana University
- Youngstown State University
- Austin Peay University
- Western Carolina University
85% Do not believe the budget process is transparent – 134 of the 209 respondents wrote comments elaborating on why they felt that way.

77% Do not think they have input into budget decisions.

71% Do not under NSULA budgeting process.

66% Do not, nor ever had budget experience.

67% Do not feel their input is even considered in the process.

77% Do understand the current and past financial challenges.

65% Do not think money spent on infrastructure should be spent on salaries – new hires.
Decision Criteria - Definitions

Transparency: maximize audiences ability to understand what, how, and why, decisions are made.

Inclusiveness: Maximize the numbers of those included in the process in order to establish ownership

Balanced: Top down guidance and bottom up requirements are mutually supporting and tied to strategic plan

Easy to Understand: No / minimal additional training is required to participate / execute

Implementation: Can be done in less than six months

Friction: Less is better amongst units – unhealthy competition for resources
## Decision Matrix – Lower is better

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<th>Inclusiveness</th>
<th>Balanced</th>
<th>Easy to Understand</th>
<th>Implementation</th>
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Rating 1-6 – no weighted criteria.

4/24/2017

Dedicated to One Goal...Yours!
Guiding Tenets

- Maximum participation – if a unit has a budget they are included
- Predictable and understandable process – looks forward
- Guidance is given early to allow subordinate budget development – no cost factor
- Each budget unit briefs their requirements to next higher authority
- Budget briefs are open forums
- All requirements will be tied to strategic framework / plan
- All requirements remain documented - prioritized (1-N List)
- Strategic Planning & Budgeting Committee is responsible for budget recommendation to President’s Budget Advisory Council
- Presidents Budget Advisory Council is approving authority
- Will conduct semiannual (academic year) reviews
Concept of Operations

President / CFO
Provides Guidance

Each Unit Develops
Budget Proposal

Expectations and Priorities
State of the University

Build budget requirements

Department Heads
brief Dean / VP

Prioritize Requirements for College (1-N)

Deans / Non-Academic Department heads brief Strategic Planning & Budgeting Committee

Prioritize Requirements for College (1-N)

Strategic Planning & Budgeting Committee briefs President and Advisory Council

Prioritize Requirements for University (1-N)

Budget is developed and briefed

Simultaneously

Northwestern State University
Budget Request Template Submission

Strategic Plan Implementation –
Mid Year Review

Dedicated to One Goal...Yours!
Calendar Exemplar

1. Initial Budget Brief
   - SEP 10

2. Submit Budget Request to Unit/Department Head
   - Non Academic Divisions submit budget request to appropriate VP
   - Academic Affairs Divisions submit budget requests to Dean
   - OCT 30
   - OCT 30

3. Division/college / Academic Unit Budget Hearings
   - Non Academic Divisions – Divisions hold hearing by
   - Academic Affairs Divisions – Colleges hold hearings by
   - NOV 23
   - NOV 23

4. Presentations of Colleges / Academic Unit Budget Request

5. Strategic Planning & Budgeting Committee Reviews Budget Request
   - JAN 07
   - JAN 14
   - JAN 21
   - JAN 28

6. Submit to Presidents Advisory Committee

7. Strategic Planning & Budgeting Committee brief to Presidents Advisory Committee

8. Presidents Advisory Committee reviews budget

9. Presidents Advisory Committee back brief to University on Budget
   - FEB 8
   - FEB 18
Implementation Timeline

1. Initial Budget Brief

2. Submit Budget Request to Unit/Department Head
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EOM JAN
FEB 19
FEB 19
MAR 04
MAR 04
MAR 04
MAR 18
MAR 25
MAR 31
APR 15
APR 22
APR 29

Dedicated to One Goal....Yours!
Briefing Format

*Should be less than 15 – 25 slides per unit*

1. Title Department / College
   Base Budget (any changes or reorganization)
   Personal Services (teaching and nonteaching)

2. Support Cost (any changes – increase or reduction) – Why and impact

3. Budget Enhancement Requests (Recurring) – how it supports Strategic Plan

4. Budget Enhancement Request (Non-Recurring) – how it supports Strategic Plan

5. Capital Investment or other Recommendations – how it supports Strategic Plan

6. Concerns
What still Needs to be Done

• Rewrite instructions and fully describe the entire process – we can modify what exists now
• Develop a standardized briefing Template
• Recommend Strategic Planning and Budgeting Committee members
• Recommend President’s Executive Budgeting Advisory Committee
• We need to develop an implementation calendar
Recommendation

Planning, Programming, and Budget Execution Model
QUESTIONS
BACK UP SLIDES
NSULA Strategic Budgeting Committee

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Sub-committees:

- Sub-committee 1: Evaluate current NSULA budgeting process.
- Sub-committee 2: Evaluate budgeting processes used by other Universities.
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NSULA Strategic Budgeting Committee

Sub-committee 1: Update

- Determine Existing Model
- Identify Areas of Concern
- Identify Areas of Strength
- Ideal Attributes for our Model
NSULA Strategic Budgeting Committee

Current Budgeting Model:

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NSULA Strategic Budgeting Committee

Must Have Attributes:

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NSULA STRATEGIC BUDGETING COMMITTEE
Subcommittee #2 Directive
Evaluate Budgeting Processes used by other Universities

For Each Model Considered:
► Model Definition Provided
  ► Strength
  ► Weakness

Budget Model Roadmap for Consideration
List of Budget Models Evaluated

- Incremental Budget
- Zero-Based Budget
- Activity-Based Budget
- Centralized Budget
- Planning, Programming and Budget
- Performance-Based Budget
- Responsibility Center Management (RCM)
Alternate University Budget Models for Consideration (Hanover Research)

- **Incremental Budgeting**: Traditional model with allocations based on funding levels of the previous year.
  
  - **Strength**: Easy to Implement
  
  - **Weakness**: Limited vision; Difficult to determine where costs incurred & value creation
Alternate University Budget Models for Consideration (Hanover Research)

➤ **Zero-Based Budgeting**: Every part of the University must re-request funding and re-justify spending at beginning of every budget planning period.

  ➤ **Strength**: Effective Cost Control Method

  ➤ **Weakness**: Substantial effort and turmoil annually
Alternate University Budget Models for Consideration (Hanover Research)

- **Activity-Based Budgeting**: Awards financial resources to University activities that see the greatest return (increased revenues) for the University *(University of Washington & Indiana University)*

  - **Strength**: Links revenues to broader strategic objectives
  
  - **Weakness**: Requires substantial time and resource commitment
    
    - Doesn't match the current professional, collegial atmosphere
Centralized Budgeting:

Where We Are Today (NSULA)
Alternate University Budget Models for Consideration (Hanover Research)

- **Planning, Programming and Budgeting:** Centralized Management with long-range management projections and cost benefit analyses to link plan & resource allocation (Western Carolina U, Austin Peay)
  
  - **Strength:** Links Strategic Plan to allocated resources at departmental level; Transparency; Buy-in

  - **Weakness:** May be limited departmental/college accountability measures
Performance-Based Budgeting: Resources based on outcomes achievement (Auburn)

Strength: Linking funding to results leads to greater transparency and accountability

Weakness: Time consuming review of performance measures
Alternate University Budget Models for Consideration

**Responsibility Center Management (RCM):**
Operational authority and resources given to each of the divisions, departments, units within a University; Responsible for own expenses—a subsidized tax/shared pool
(Auburn, Indiana U & Washington U)

**Strength:** Units pursue new revenue sources

**Weakness:** Competition for students may cause Deans to resort to preventing students from enrolling in other unit courses
Subcommittee # 2 Thoughts

Budget Model Roadmap for Consideration:
Hybrid Transition Model

Centralized Budget Model (current)

Planning, Programming and Budgeting Model

Performance-Based Model or RCM
Alternate University Budget Models for Consideration

Comments?
Questions?