

# Welcome

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## 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.*

# Agenda

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## 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

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# Analytical Finding - Recommendation

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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**.

# Mission Statement

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“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

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- 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

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- 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

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- ✓ **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.

# Current Budget Model

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*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:

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- 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

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- 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

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- 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

# University Budget Models Considered (Hanover Research)

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- **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.
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# Universities Reviewed

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- Auburn University
- University of Washington
- Indiana University
- Youngstown State University
- Austin Peay University
- Western Carolina University

# Initial Survey Findings

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- 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 understand 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

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**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

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# Decision Matrix – Lower is better

	Transparency	Inclusiveness	Balanced	Easy to Understand	Implementation	Friction	Total
Incremental	5	5	6	3	2	2	23
Zero-Based	6	6	5	2	1	1	21
Activity-Based	3	3	2	4	5	5	22
PPBES	1	1	1	1	3	3	10
Performance	2	2	3	5	4	4	20
RCM	4	4	4	6	6	6	30

Rating 1-6 – no weighted criteria.



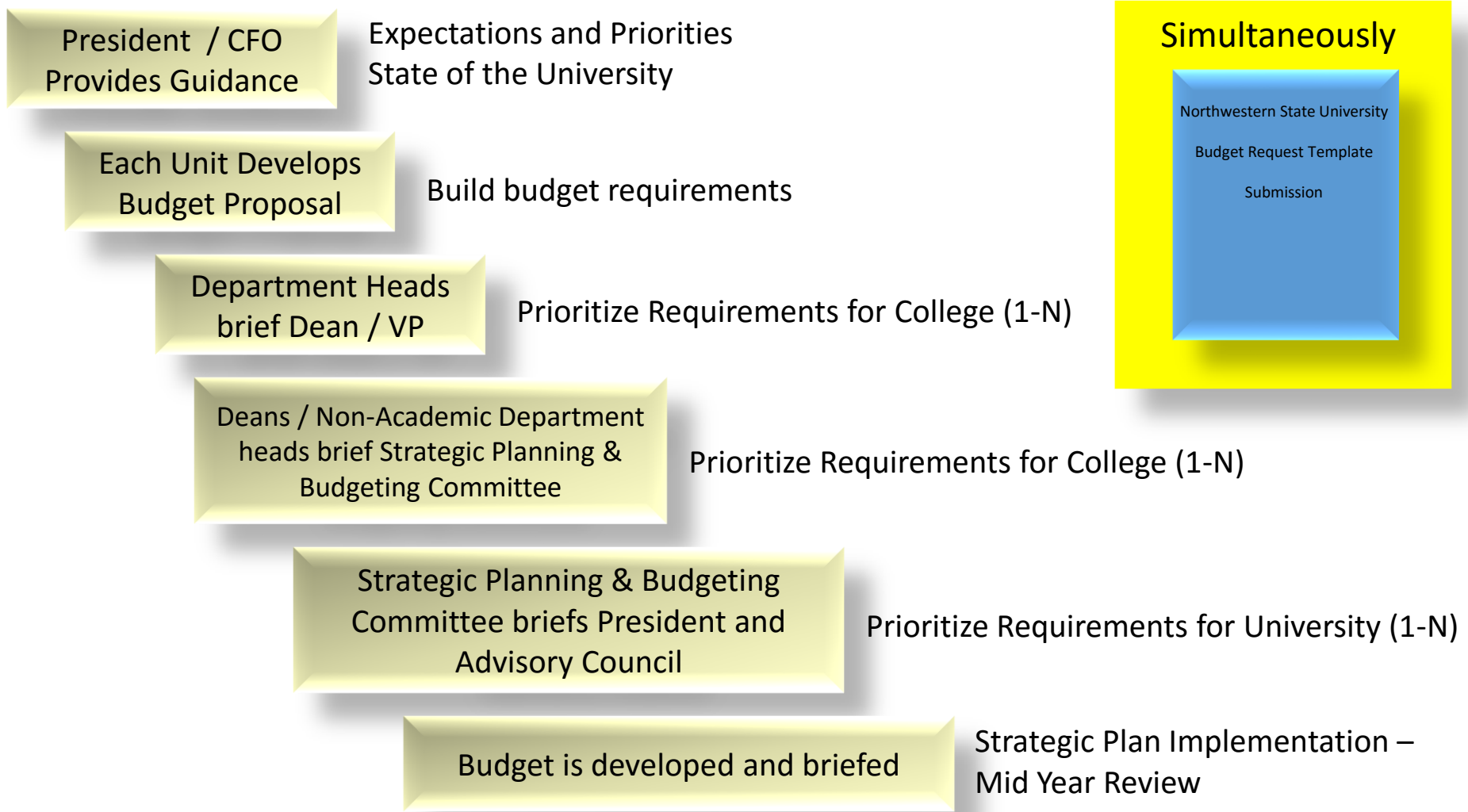
# Guiding Tenets

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- 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
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# Concept of Operations



# 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 → OCT 30
  - Academic Affairs Divisions submit budget requests to Dean → OCT 30
3. Division/college / Academic Unit Budget Hearings
  - Non Academic Divisions – Divisions hold hearing by → NOV 23
  - Academic Affairs Divisions – Colleges hold hearings by → NOV 23
4. Presentations of Colleges / Academic Unit Budget Request → JAN 07
5. Strategic Planning & Budgeting Committee Reviews Budget Request → JAN 14
6. Submit to Presidents Advisory Committee → JAN 21
7. Strategic Planning & Budgeting Committee brief to Presidents Advisory Committee → JAN 28
8. Presidents Advisory Committee reviews budget → FEB 8
9. Presidents Advisory Committee back brief to University on Budget → FEB 18

# Implementation Timeline

1. Initial Budget Brief → EOM JAN
2. Submit Budget Request to Unit/Department Head
  - Non Academic Divisions submit budget request to appropriate VP → FEB 19
  - Academic Affairs Divisions submit budget requests to Dean → FEB 19
3. Division/college / Academic Unit Budget Hearings
  - Non Academic Divisions – Divisions hold hearing by → MAR 04
  - Academic Affairs Divisions – Colleges hold hearings by → MAR 04
4. Presentations of Colleges / Academic Unit Budget Request → MAR 18
5. Strategic Planning & Budgeting Committee Reviews Budget Request → MAR 25
6. Submit to Presidents Advisory Committee → MAR 31
7. Strategic Planning & Budgeting Committee brief to Presidents Advisory Committee → APR 15
8. Presidents Advisory Committee reviews budget → APR 22
9. Presidents Advisory Committee back brief to University on Budget → APR 29

# Briefing Format

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*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

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- 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

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## Planning, Programming, and Budget Execution Model



# QUESTIONS





# BACK UP SLIDES

# NSULA Strategic Budgeting Committee

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## Mission:

"To 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."

# 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.
- ✓ 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.

# NSULA Strategic Budgeting Committee

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## Sub-committee 1: Update

- ✓ Determine Existing Model
- ✓ Identify Areas of Concern
- ✓ Identify Areas of Strength
- ✓ Ideal Attributes for our Model

# NSULA Strategic Budgeting Committee

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## Current Budgeting Model:

NSU uses a centralized budget model

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# NSULA Strategic Budgeting Committee

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## Areas of Concern:

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# NSULA Strategic Budgeting Committee

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## Areas of Strength:

- University Continues to Provide Excellent Service
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- Core of Experts
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- Clear Expectations
- Willingness to adapt
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# NSULA Strategic Budgeting Committee

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## Must Have 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



## Mission:

“To 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.”

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

# Alternate University Budget Models for Consideration

(Hanover Research)

## ▶ 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



# Alternate University Budget Models for Consideration

(Hanover Research)

- ▶ **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

(Hanover Research)

## ▶ **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?**