Higher Education Budgeting

WACUBO Business Management Institute
August 2015

Teresa Costantinidis
Interim Senior Vice Chancellor
Finance and Administration
University of California, San Francisco
Higher Education Budgeting

Session Schedule

• 1:30 – 3:15 pm  Basic Concepts
• 3:15 – 3:30 pm  Break
• 3:30 – 5:00 pm  Budget Processes and Analytics
Higher Education Budgeting

Basic Concepts

Budget Processes

Budget Analytics
• What is a budget?
• Why do we budget?
• How to distinguish budgeting from accounting
• How budgets fit into the wonderful world of finance
• Understanding budgetary fund sources
• Understanding fund uses
• Resource duration and designations
• Budget models
What do people think when they hear the word, “budget?”

“The origin of our word budget is the Latin bulga, a little pouch or knapsack, which may have come from a Gaulish source that’s related to the Irish bolg, ‘bag’. The word turned up in English in the fifteenth century, having travelled via the French bougette, a diminutive form of bouge, ‘leather bag’.”

—Michael Quinion
We hope to change the way you think about budgets
What is the purpose of a budget? Why do we do bother?

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1)</td>
<td></td>
</tr>
<tr>
<td>2)</td>
<td></td>
</tr>
<tr>
<td>3)</td>
<td></td>
</tr>
<tr>
<td>4)</td>
<td></td>
</tr>
<tr>
<td>5)</td>
<td></td>
</tr>
</tbody>
</table>
A budget can serve multiple purposes

**Sample Budget Functions:**

- A *forecast* of planned revenues, spending, and saving
- A tool for the *allocation* of current and anticipated financial resources
- A means to promote *good management*
- A *controlling* instrument
- A method of *communication*
- A reflection of *organizational values*
What is the difference between accounting, budgeting, and finance?

**ACCOUNTING = THE PAST**
- Recording
- Reporting
- Analysis
- Audits

**BUDGETING = THE FUTURE**
- Information Gathering
- Modeling
- Discussions
- Decisions

**FINANCE**

**RESOURCE FLOW**
Understanding “finance” means understanding how money moves around.

**FINANCING**
- Owner’s Stake
- Borrowing

**INVESTMENTS**
- Inventory
- Machines
- Buildings
- Land
- Other Assets

**OPERATIONS**
- Revenue
- Expenses
- Profit
This model works for higher education, too!

We just use different words
Financial reports help us manage and understand these buckets.

**Financing**
- Owner’s Equity
- Liabilities

**Investments**
- Assets

**Operations**
- Revenues
- Expense
- Net Earnings

**Statement of Cash Flows**

WACUBO
Western Association of College and University Business Officers

www.wacubo.org
Most of us create budgets focused on our operating activities but we may also reflect balance sheet obligations like debt service payments and funding for capital investments for property, plant, and equipment.
Group Budget Exercise

BUILD A BUDGET:
In higher education, we like to classify our money in different ways

Sources

TWO CATEGORIES:

- Fund type
- Restriction

Uses

TWO CATEGORIES:

- Natural classification
- Function

Both Sources and Uses

TWO MORE CATEGORIES:

- Designation
- Duration
**Fund type tells us where our money comes from**

**Typical Examples:**

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition</td>
<td>Students, _____________</td>
</tr>
<tr>
<td>Appropriations</td>
<td>State Agencies, ______________</td>
</tr>
<tr>
<td>Research support</td>
<td>Federal Government, ______________</td>
</tr>
<tr>
<td>Private support</td>
<td>Donors, __________________</td>
</tr>
<tr>
<td>Auxiliary income</td>
<td>Students, __________________</td>
</tr>
<tr>
<td>Sales and service</td>
<td>General Public, __________________</td>
</tr>
<tr>
<td>Interest income</td>
<td>Endowments, __________________</td>
</tr>
</tbody>
</table>
What kind of institution is this?
We keep track of the restrictions on our funds to make sure we are accountable to their source.
This institution generated $426,000 of restricted funds

<table>
<thead>
<tr>
<th>Source Description</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and fees</td>
<td>$ 62,110,883</td>
<td></td>
<td></td>
<td>62,110,883</td>
</tr>
<tr>
<td>Less college-funded scholarships</td>
<td>(22,800,465)</td>
<td></td>
<td></td>
<td>(22,800,465)</td>
</tr>
<tr>
<td>Net tuition and fees</td>
<td>39,310,418</td>
<td></td>
<td></td>
<td>39,310,418</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>13,234,897</td>
<td></td>
<td></td>
<td>13,234,897</td>
</tr>
<tr>
<td>Gifts and private grants</td>
<td>11,501,436</td>
<td>2,906,083</td>
<td></td>
<td>14,533,322</td>
</tr>
<tr>
<td>Government grants, contracts, and student aid</td>
<td>1,269,601</td>
<td></td>
<td>125,803</td>
<td>1,395,404</td>
</tr>
<tr>
<td>Realized and unrealized gains</td>
<td>46,756,262</td>
<td>26,145,122</td>
<td></td>
<td>72,901,384</td>
</tr>
<tr>
<td>Other investment gains (losses)</td>
<td>(375,541)</td>
<td></td>
<td>276,828</td>
<td>(98,713)</td>
</tr>
<tr>
<td>Other revenues and additions</td>
<td>2,136,325</td>
<td></td>
<td>23,820</td>
<td>2,160,145</td>
</tr>
<tr>
<td>Subtotal</td>
<td>74,522,980</td>
<td>29,051,205</td>
<td>426,451</td>
<td>104,000,636</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>9,921,004</td>
<td>(9,921,004)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues, gifts, and other support</td>
<td>123,754,402</td>
<td>19,130,201</td>
<td>426,451</td>
<td>143,311,054</td>
</tr>
</tbody>
</table>
We use “natural classifications” to group and manage our expenses

- Salaries and wages
- Employee benefits
- Scholarships and fellowships
- Supplies and services
- Utilities
- Rent
- Depreciation
Note the expense groupings across this older budget report

<table>
<thead>
<tr>
<th>Professional</th>
<th>Temp. Instructor</th>
<th>Grad</th>
<th>Classified</th>
<th>FTE</th>
<th>Salaries</th>
<th>FTE</th>
<th>Salaries</th>
<th>Assts</th>
<th>FTE</th>
<th>Salaries</th>
<th>Wages</th>
<th>Fringe</th>
<th>Operating</th>
<th>Travel</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the President</td>
<td>20.66</td>
<td>1,822,776</td>
<td>0.10</td>
<td>18,345</td>
<td>-</td>
<td>4.03</td>
<td>141,034</td>
<td>22,245</td>
<td>640,213</td>
<td>224,710</td>
<td>20,500</td>
<td>2,895,623</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>30.02</td>
<td>2,703,375</td>
<td>0.50</td>
<td>1,066,522</td>
<td>112,000</td>
<td>7.95</td>
<td>326,043</td>
<td>9,345</td>
<td>1,017,049</td>
<td>2,293,857</td>
<td>15,000</td>
<td>7,771,845</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Libraries</td>
<td>19.00</td>
<td>1,510,711</td>
<td>0.10</td>
<td>60,000</td>
<td>-</td>
<td>33.55</td>
<td>1,372,816</td>
<td>36,568</td>
<td>4,767,017</td>
<td>754,740</td>
<td>-</td>
<td>6,552,604</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Technology</td>
<td>42.86</td>
<td>3,796,443</td>
<td>0.20</td>
<td>100,000</td>
<td>-</td>
<td>14.38</td>
<td>738,519</td>
<td>202,000</td>
<td>1,512,000</td>
<td>237,934</td>
<td>1,000</td>
<td>7,771,845</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberal Arts</td>
<td>205.98</td>
<td>15,975,987</td>
<td>0.10</td>
<td>791,243</td>
<td>1,624,000</td>
<td>26.93</td>
<td>1,113,066</td>
<td>36,568</td>
<td>5,476,017</td>
<td>754,740</td>
<td>-</td>
<td>25,771,621</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Science</td>
<td>121.07</td>
<td>10,949,053</td>
<td>0.10</td>
<td>283,870</td>
<td>2,267,000</td>
<td>28.12</td>
<td>1,245,336</td>
<td>45,127</td>
<td>3,887,772</td>
<td>767,167</td>
<td>-</td>
<td>19,354,325</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td>57.80</td>
<td>6,208,520</td>
<td>0.30</td>
<td>37,060</td>
<td>211,643</td>
<td>1.25</td>
<td>52,805</td>
<td>6,778</td>
<td>591,704</td>
<td>69,415</td>
<td>-</td>
<td>3,148,016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development &amp; Alumni Relations</td>
<td>26.23</td>
<td>2,144,999</td>
<td>0.10</td>
<td>132,001</td>
<td>147,000</td>
<td>6.00</td>
<td>263,862</td>
<td>18,912</td>
<td>1,770,312</td>
<td>241,719</td>
<td>-</td>
<td>1,806,918</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration &amp; Finance</td>
<td>37.82</td>
<td>3,778,145</td>
<td>0.10</td>
<td>8,800</td>
<td>-</td>
<td>280.18</td>
<td>743,338</td>
<td>53,333</td>
<td>570,447</td>
<td>21,785</td>
<td>-</td>
<td>8,698,064</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Services</td>
<td>66.05</td>
<td>7,008,436</td>
<td>0.20</td>
<td>503,300</td>
<td>8,800</td>
<td>14.38</td>
<td>658,519</td>
<td>86,800</td>
<td>2,139,848</td>
<td>658,537</td>
<td>-</td>
<td>11,035,440</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research</td>
<td>8.53</td>
<td>920,376</td>
<td>0.10</td>
<td>34,000</td>
<td>345,691</td>
<td>1.25</td>
<td>134,342</td>
<td>6,778</td>
<td>380,501</td>
<td>69,415</td>
<td>-</td>
<td>1,806,918</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Sciences</td>
<td>63.28</td>
<td>5,319,482</td>
<td>0.30</td>
<td>345,691</td>
<td>219,800</td>
<td>12.20</td>
<td>448,470</td>
<td>21,785</td>
<td>1,809,636</td>
<td>216,569</td>
<td>15,000</td>
<td>8,396,433</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biotech &amp; Natural Resources</td>
<td>18.91</td>
<td>2,068,285</td>
<td>0.10</td>
<td>132,001</td>
<td>211,643</td>
<td>1.25</td>
<td>52,805</td>
<td>6,778</td>
<td>591,704</td>
<td>767,167</td>
<td>-</td>
<td>3,148,016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SUMMARY OF 2012-2013 STATE ALLOCATIONS BY APPROPRIATION, AGENCY AND CATEGORY OF EXPENSE

<table>
<thead>
<tr>
<th>Agency Description</th>
<th>Professional Salaries</th>
<th>Temp. Instructor Salaries</th>
<th>Grad Assts</th>
<th>Classified FTE</th>
<th>Salaries</th>
<th>Wages Fringe</th>
<th>Operating Travel</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Campus</td>
<td>824.11</td>
<td>70,017,134</td>
<td>2.20</td>
<td>3,067,943</td>
<td>6,539,707</td>
<td>485.62</td>
<td>20,202,740</td>
<td>28,396,743</td>
</tr>
<tr>
<td>Intercollegiate Athletics</td>
<td>11.47</td>
<td>628,122</td>
<td>0.10</td>
<td>791,243</td>
<td>1,624,000</td>
<td>26.93</td>
<td>1,113,066</td>
<td>36,568</td>
</tr>
<tr>
<td>Statewide Programs</td>
<td>18.05</td>
<td>1,868,282</td>
<td>0.02</td>
<td>29,000</td>
<td>86,800</td>
<td>14.38</td>
<td>658,519</td>
<td>86,800</td>
</tr>
<tr>
<td>Business Center</td>
<td>9.07</td>
<td>435,340</td>
<td>0.03</td>
<td>253,308</td>
<td>156,967</td>
<td>16.59</td>
<td>792,895</td>
<td>15,000</td>
</tr>
<tr>
<td>Agricultural Experiment Station</td>
<td>27.13</td>
<td>3,592,959</td>
<td>0.10</td>
<td>96,978</td>
<td>380,104</td>
<td>8.83</td>
<td>380,104</td>
<td>156,967</td>
</tr>
<tr>
<td>Cooperative Extension</td>
<td>23.10</td>
<td>2,501,310</td>
<td>0.03</td>
<td>253,308</td>
<td>156,967</td>
<td>8.37</td>
<td>366,327</td>
<td>11,692</td>
</tr>
<tr>
<td>School of Medicine</td>
<td>116.49</td>
<td>15,555,154</td>
<td>0.02</td>
<td>488,732</td>
<td>77,529</td>
<td>63.81</td>
<td>2,495,498</td>
<td>68,382</td>
</tr>
<tr>
<td>State Public Health Laboratory</td>
<td>1.81</td>
<td>253,704</td>
<td>0.02</td>
<td>488,732</td>
<td>77,529</td>
<td>15.29</td>
<td>696,333</td>
<td>99,415</td>
</tr>
</tbody>
</table>

TOTAL STATE | 1,027.17 | 94,019,005 | 3.70 | 3,809,983 | 6,429,214 | 608.76 | 25,331,647 | 1,729,825 | 36,963,532 | 45,184,283 | 514,777 | 213,982,266 |

WACUBO
Western Association of College and University Business Officers
We also use “functional classifications” to show how our expenses support our mission

- Instruction
- Research
- Public Service
- Academic Service/Support
- Student Services
- Institutional Support
- Auxiliary Enterprises
- Service Centers
- Scholarships and Fellowships
- Operation and Maintenance of Plant
- Libraries
- Hospitals

They also assist with our overhead rate negotiations with the Federal Government.
What kind of institution do you think this is?

Expenses by Function

- Interest expense on debt: 3%
- Depreciation: 5%
- Public service: 2%
- Auxiliary enterprises: 6%
- Instruction: 33%
- Student services: 7%
- Operation and maintenance of plant: 8%
- Academic support: 9%
- Student financial assistance: 14%
- Institutional support: 13%
Both sources and uses may be earmarked by the organization

**Designated**
- Faculty Recruitment
- Student Aid
- Research

**Undesignated**
- Unrestricted fund balance
- Interest income
It is also important to be aware of the timing and duration of your funding.

<table>
<thead>
<tr>
<th>Sources</th>
<th>Uses</th>
<th>Fund Balance or Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring On-Going or Permanent</td>
<td><img src="image1.png" alt="Image" /></td>
<td><img src="image2.png" alt="Image" /></td>
</tr>
<tr>
<td>One-Time or Temporary</td>
<td><img src="image4.png" alt="Image" /></td>
<td><img src="image5.png" alt="Image" /></td>
</tr>
</tbody>
</table>

Remember: No money is guaranteed!
Colleges and universities approach budgeting in various ways

Higher Education Budget Models

- Incremental
- Responsibility Center
- Activity Based
- Initiative
- Performance Based
- Zero Based
- Incremental
Incremental budgets are typically adjusted by a percentage

**Characteristics:**
- base budgets are not revisited
- assumes existing budgets are appropriate
- maintains the *status quo*
- easy to administer
- not linked to plans or priorities

“California State University (CSU) will receive a General Fund augmentation of $125.1 million, equal to a **five percent increase** in the University of California’s 2012-13 General Fund support budget.”
—California State Governor’s Budget, 2013-14
Zero-based budgets are built from scratch each year

**Characteristics:**
- allocations are based on total estimated need
- assumes no history
- identifies activities and determines total costs
- promotes decision-making driven by desired outcomes
- are sometimes used in limited form in higher education

“... Because 80 percent of most universities’ budgets are dedicated to salaries for ongoing faculty lines, a broad-scale implementation of zero-based budgeting does not make sense for most, if not all, higher education institutions.”

—The Use of Zero-Based Budgeting in Higher Education, University Leadership Council, April 19, 2009
Activity-based budgeting focuses on the costs of a desired outcome

**CHARACTERISTICS:**

- allocates funds to perform specific desired outcomes like teaching a course
- requires detailed data for in-depth cost analysis
- the overall cost of a department, and expense categories are less important
- intended to drive specific accomplishments

“The activity-based budget model can support a centralized management model, a decentralized one, or a combination of the two. It simply offers information about financial performance within and between academic units for the people making decisions.”

—David P. Szatmary

*Activity-Based Budgeting in Higher Education, Continuing Higher Education Review, 2011*
Initiative-based budgeting allocates funds for a special purpose

**CHARACTERISTICS:**

- funds are allocated for specific new projects and activities
- often follows strategic planning and a competitive proposal process
- involves one-time funds rather than on-going
- has a follow-up assessment process to ensure effectiveness

“Initiative-based budgeting is not a comprehensive budget model. It is a structured approach to the establishment of a resource pool for funding new initiatives or enhancing high-priority activities.”

—Larry Goldstein

*College and University Budgeting, NACUBO: Washington DC, 2005*
Responsibility-centered budgets are becoming increasingly popular

**CHARACTERISTICS:**

- individual units control the revenue they generate
- increases in activities lead to automatic flow of resources and costs to the units that do the work
- in exchange they are responsible for paying for direct and indirect expenses, i.e. taxes
- central cost centers are funded from those charges

"Interest in responsibility center management among public universities is soaring, with more than 21 percent of public doctoral institutions reporting that they use the RCM model”

—John R. Curry, Andrew L. Laws, and Jon C. Strauss
NACUBO Business Officer, January 2013
Performance-based budgets provide funding based on defined outcomes

**Characteristics:**

- Increasingly legislatively mandated for public institutions
- Focused on results not revenue
- Provides increased transparency
- Analysis and therefore funding commonly occurs after-the-fact

“Inappropriate measures can be worse than no measures at all because they can incent the wrong kinds of behaviors.”

—Bill Gates, Technology Advisor, Microsoft NACUBO Annual Meeting, July 2014
Higher education institutions often use a hybrid of several models.
• What is a budget?
• Why do we budget?
• How to distinguish budgeting from accounting
• How budgets fit into the wonderful world of finance
• Understanding budgetary fund sources
• Understanding fund uses
• Resource duration and designations
• Budget models
• The budget cycle
• Real-life budget processes
• Factors influencing budget creation
• Department and unit budgets
  • Creating Simple Budgets
  • What happens when things get complicated?
Budget Cycle

Information Gathering
Modeling
Discussions
Decisions
Institutional Budgeting

- Public – State University
- Private – Liberal Arts College
# Public Research University Budget Cycle

<table>
<thead>
<tr>
<th></th>
<th>July – Sept</th>
<th>Oct-Dec</th>
<th>Jan-Mar</th>
<th>Apr-June</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State</strong></td>
<td></td>
<td>Submit State budget materials</td>
<td>Governor issues budget proposal</td>
<td>Legislature passes appropriations bills</td>
</tr>
<tr>
<td><strong>Regents</strong></td>
<td>Provide guidance on investment request</td>
<td>Mid-year capital development plan approved</td>
<td>Presidents submit tuition proposals and related revenue projections</td>
<td>Tuition and fee rates are approved (Apr)</td>
</tr>
<tr>
<td></td>
<td>3-year capital improvement plan approved (Sept)</td>
<td>University presents update on 5-year strategic plan and progress toward goals</td>
<td>Regents hold statutory tuition hearings</td>
<td>Operating budget and annual capital development plan is approved (June)</td>
</tr>
<tr>
<td><strong>Central University</strong></td>
<td>Preliminary enrollment, revenue, expenditure and capital projections for next fiscal year developed</td>
<td>Update capital needs projections</td>
<td>Update budget planning forecast and 5-year budget projection</td>
<td>Budget committee makes final budget allocation decisions (Apr/May)</td>
</tr>
<tr>
<td></td>
<td>VPs and Deans make preliminary resource requests</td>
<td>Update budget planning forecast and “what-if” scenarios for coming year</td>
<td></td>
<td>Budgets are finalized (June)</td>
</tr>
<tr>
<td></td>
<td>Develop multiple “what-if” budget scenarios</td>
<td></td>
<td></td>
<td>Detailed budgets are loaded to system (June)</td>
</tr>
<tr>
<td><strong>Budget Units</strong></td>
<td>First quarter forecast prepared (Oct)</td>
<td>Second quarter forecast prepared (Jan)</td>
<td>Third quarter forecast prepared (Apr)</td>
<td>Detailed budgets developed (Apr/May)</td>
</tr>
</tbody>
</table>
Small Private College Budget Cycle

• **Campus Budget Committee**
  – **Spring**: Solicit needs and priorities from campus (each Division and Staff Council)
  – **Summer**: Model options
  – **Fall**: Discuss priorities and parameters then make recommendation to President

• **Board of Trustees**
  – **February**: Approve Budget
What Influences Budgeting?

- Institutional Type
- Mission and Vision
- Strategic Plan and Goals
- Governance Structures
- Environmental Factors
- Leadership Change
BUDGET CYCLE

Information Gathering

• Environmental Issues
• Governance Issues
• Revenue and Expense Options
  – What can you control?
  – What can’t be controlled?
• Needs, priorities and wants from the campus
BUDGET CYCLE Modeling

- State tuition formulas
- Scenarios
  - What if 1%
  - New revenue, debt, partnerships, etc.
- Tools of the trade
  - Enterprise Resource Planning (ERP)
  - Software packages
  - Microsoft Excel
BUDGET CYCLE

Discussions

• Campus Governance
• Budget Presentations
• Communications
• Transparency
BUDGET CYCLE

Decisions

• Who is the ultimate approver?
• How is approval communicated?
• What happens after it is approved?
• Implementation
If you do have the option, be sure to maintain prudent levels of reserves

Universities and colleges retain financial reserves to:

- maintain financial strength
- provide funds for renovations, repairs, and replacements
- insulate an institution from potential major financial risk
  - unanticipated and uninsured events
  - temporary revenue shortfalls
  - unanticipated expenditure requirements
  - unforeseen legal obligations
  - failures in central infrastructure or major business systems
- protect against external volatility
- provide a foundation for debt management and issuance
- allow flexibility in planning
Reserves can be held in various forms

**Examples of reserves:**

- Unrestricted balances
- Quasi-endowments
- Unspent gifts
- Investment earnings
- Unrealized investment gains
- Legal settlements
- Other miscellaneous revenues
Department Budgeting

Let’s build a budget ......
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>15,055.19</td>
<td>10,207.13</td>
<td>11,538.10</td>
<td>13,791.07</td>
<td>14,204.80</td>
<td>15,689.27</td>
<td></td>
<td>13,400</td>
</tr>
<tr>
<td>Temporary or On-Call Hourly</td>
<td>153.12</td>
<td>1,400.50</td>
<td>94.52</td>
<td>1,485.79</td>
<td>123.69</td>
<td>3,542.13</td>
<td></td>
<td>1,100</td>
</tr>
<tr>
<td><strong>Subtotal - Salaries</strong></td>
<td><strong>15,208.31</strong></td>
<td><strong>11,607.63</strong></td>
<td><strong>11,632.62</strong></td>
<td><strong>15,276.86</strong></td>
<td><strong>14,328.49</strong></td>
<td><strong>19,231.40</strong></td>
<td></td>
<td><strong>14,500</strong></td>
</tr>
<tr>
<td>Instructional Supplies</td>
<td>2,547.75</td>
<td>3,371.15</td>
<td>3,182.40</td>
<td>5,225.77</td>
<td>5,030.51</td>
<td>2,374.75</td>
<td></td>
<td>3,600</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>4,787.87</td>
<td>2,714.72</td>
<td>5,225.58</td>
<td>3,223.44</td>
<td>3,959.64</td>
<td>4,201.53</td>
<td></td>
<td>4,000</td>
</tr>
<tr>
<td>Telephone Charges</td>
<td>1,469.99</td>
<td>754.80</td>
<td>297.58</td>
<td>344.31</td>
<td>448.91</td>
<td>549.62</td>
<td></td>
<td>600</td>
</tr>
<tr>
<td>General Printing &amp; Binding</td>
<td>1,895.75</td>
<td>1,065.10</td>
<td>954.38</td>
<td>1,386.40</td>
<td>1,425.70</td>
<td>3,415.73</td>
<td></td>
<td>1,700</td>
</tr>
<tr>
<td>Copying</td>
<td>1,993.49</td>
<td>615.79</td>
<td>1,056.70</td>
<td>779.04</td>
<td>1,602.90</td>
<td>745.64</td>
<td></td>
<td>1,100</td>
</tr>
<tr>
<td>Postage</td>
<td>1,551.32</td>
<td>213.75</td>
<td>331.40</td>
<td>209.70</td>
<td>790.17</td>
<td>32.48</td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Shipping and Express Service</td>
<td>10.90</td>
<td>12.06</td>
<td>15.10</td>
<td>-</td>
<td>-</td>
<td>24.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Services</td>
<td>13,357.87</td>
<td>9,501.98</td>
<td>9,096.75</td>
<td>9,608.20</td>
<td>24,578.33</td>
<td>8,958.34</td>
<td></td>
<td>12,500</td>
</tr>
<tr>
<td>Official Functions</td>
<td>5,125.51</td>
<td>4,431.96</td>
<td>4,709.62</td>
<td>7,109.82</td>
<td>4,334.91</td>
<td>14,914.78</td>
<td></td>
<td>6,800</td>
</tr>
<tr>
<td>Dues &amp; Memberships</td>
<td>1,360.00</td>
<td>935.00</td>
<td>1,130.00</td>
<td>1,464.00</td>
<td>1,936.00</td>
<td>3,329.00</td>
<td></td>
<td>1,700</td>
</tr>
<tr>
<td>Software Licensing Fees</td>
<td>4,350.00</td>
<td>4,350.00</td>
<td>6,195.00</td>
<td>3,195.00</td>
<td>8,002.61</td>
<td>3,289.90</td>
<td></td>
<td>4,900</td>
</tr>
<tr>
<td>Building Maintenance Services</td>
<td>977.56</td>
<td>-</td>
<td>33.10</td>
<td>-</td>
<td>158.40</td>
<td>-</td>
<td></td>
<td>200</td>
</tr>
<tr>
<td>Airfare</td>
<td>4,003.70</td>
<td>2,217.71</td>
<td>4,525.14</td>
<td>3,458.14</td>
<td>5,387.04</td>
<td>8,892.30</td>
<td></td>
<td>4,700</td>
</tr>
<tr>
<td>Ground Transportation</td>
<td>652.40</td>
<td>617.23</td>
<td>1,543.14</td>
<td>669.39</td>
<td>942.58</td>
<td>2,417.22</td>
<td></td>
<td>1,100</td>
</tr>
<tr>
<td>Lodging</td>
<td>2,688.11</td>
<td>3,840.06</td>
<td>2,910.90</td>
<td>3,149.79</td>
<td>6,064.52</td>
<td>11,824.52</td>
<td></td>
<td>5,100</td>
</tr>
<tr>
<td>Meals &amp; Incidentals</td>
<td>728.19</td>
<td>811.60</td>
<td>712.45</td>
<td>831.54</td>
<td>1,612.14</td>
<td>5,755.50</td>
<td></td>
<td>1,700</td>
</tr>
<tr>
<td>Conference Registration Fees</td>
<td>3,323.96</td>
<td>2,763.00</td>
<td>3,288.00</td>
<td>3,621.61</td>
<td>3,514.90</td>
<td>4,022.00</td>
<td></td>
<td>3,400</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>850.87</td>
<td>2,728.92</td>
<td>-</td>
<td>475.31</td>
<td>-</td>
<td>1,422.00</td>
<td></td>
<td>900</td>
</tr>
<tr>
<td><strong>Subtotal - Operating Expenses</strong></td>
<td><strong>51,675.24</strong></td>
<td><strong>40,944.83</strong></td>
<td><strong>45,207.24</strong></td>
<td><strong>44,751.46</strong></td>
<td><strong>69,789.26</strong></td>
<td><strong>76,170.22</strong></td>
<td></td>
<td><strong>54,800</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66,883.55</strong></td>
<td><strong>52,552.46</strong></td>
<td><strong>56,839.86</strong></td>
<td><strong>60,028.32</strong></td>
<td><strong>84,117.75</strong></td>
<td><strong>95,401.62</strong></td>
<td></td>
<td><strong>69,300</strong></td>
</tr>
</tbody>
</table>

**WACUBO**
Western Association of College and University Business Officers

www.wacubo.org
Department Budgeting

• What kinds of things complicate a budget?
  – Unanticipated changes from leadership
  – A new department chair/director
  – Across the board mid-year cuts
    • Why does this happen?

What complications have you seen?
Department Budgeting

Ways to address a sudden change

– Across the board actions
– Review year-to-date outcomes, prepare projections, and find slack
– Collaborative discussions in the department to decide where to strategically make the change
Demonstrate how you would implement a 10% operating cut, but maintain all your core programs

<table>
<thead>
<tr>
<th>Account Title</th>
<th>2014-15 Operating Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous Revenue (Trip Fees, Gear Rental)</td>
<td>15,000.00</td>
</tr>
<tr>
<td>Mandatory Student Activity Fee Appropriation</td>
<td>40,000.00</td>
</tr>
<tr>
<td>Campus Budget Appropriation</td>
<td>20,000.00</td>
</tr>
<tr>
<td><strong>Subtotal Sources</strong></td>
<td><strong>75,000.00</strong></td>
</tr>
<tr>
<td>Student Salaries*</td>
<td>12,000.00</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Telephone Charges</td>
<td>100.00</td>
</tr>
<tr>
<td>Copying</td>
<td>600.00</td>
</tr>
<tr>
<td>Postage</td>
<td>100.00</td>
</tr>
<tr>
<td>General Printing and Binding</td>
<td>300.00</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>2,600.00</td>
</tr>
<tr>
<td>Other Food Service Costs**</td>
<td>1,600.00</td>
</tr>
<tr>
<td>Official Functions</td>
<td>2,400.00</td>
</tr>
<tr>
<td>Equipment Maintenance Services</td>
<td>1,600.00</td>
</tr>
<tr>
<td>Vehicle Leases</td>
<td>900.00</td>
</tr>
<tr>
<td>Equipment Leases</td>
<td>550.00</td>
</tr>
<tr>
<td>Other Travel</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Field Trips</td>
<td>42,250.00</td>
</tr>
<tr>
<td>Other Equipment/Furniture</td>
<td>3,000.00</td>
</tr>
<tr>
<td><strong>Subtotal Expenses</strong></td>
<td><strong>75,000.00</strong></td>
</tr>
</tbody>
</table>

*Trip leaders are paid a stipend of $500/trip
**Food costs are just for the leaders; participants use dining funds for their food needs on the trips
• The budget cycle
• Real-life budget processes
• Factors influencing budget creation
• Department and unit budgets
  • Creating Simple Budgets
  • What happens when things get complicated?
• Budgets reflect institutional plans and priorities
• There is a connecting link between strategic planning and the department budget
• Effective budgeting enhances financial accountability, oversight and communication
SHOW ME THE MONEY

BUDGETS REFLECT PRIORITIES

Source: FY 2014 Utah Legislative Appropriations Report
Budgeting should begin with a plan

INSTITUTIONAL MISSION STATEMENT

Institution Strategic Plan
Department Operational Plan
Department Operating Budget
Aligned budgets help institutions achieve overarching institutional objectives

• Transparency
• Accountability
• Risk Management
• Accreditation
• Other Reasons?
The budget process provides opportunities to course-correct

Adjustment:

Modeling

Reporting and Analysis

Realignment:

Budgeting

Operations
Effective budgetary analysis helps hold the institution accountable

<table>
<thead>
<tr>
<th>What happened?</th>
<th>Quantitative measure of activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compared to what?</td>
<td>Standard or expectation, budget or benchmark</td>
</tr>
<tr>
<td>Who cares?</td>
<td>Decision-makers or external audience</td>
</tr>
<tr>
<td>Where is it?</td>
<td>Variance analysis to isolate and identify outcome</td>
</tr>
<tr>
<td>When did it happen?</td>
<td>Trend analysis, seasonal</td>
</tr>
<tr>
<td>Why did it happen?</td>
<td>Hypothesis from data or information</td>
</tr>
</tbody>
</table>

And most importantly, making a recommendation based on that information:

A resulting action, change in current operations, or a future budget plan
There are several ways to weaken your institution through the budget process

• Making decisions based on lack of information
• Making decisions based on faulty information
• Allowing weak links between program planning and budgeting
• Not adequately considering consequences of budget decisions
• Ignores external or internal factors in your budget process

What else?
So please do your best to be an effective budgeteer

- **Context:** Consider your needs in the wider context of limited resources, competing interests, and institutional culture
- **Complete & Concise:** Be specific, accurate, and complete with all quantitative data
- **Message Appropriately:** Avoid the *Washington Monument Syndrome*
- **Multi-Media Reports:** Use the best tool for the job . . . tables, graphs, outlines, narrative, but do not overwhelm with text or data
- **Options:** Provide thoughtful alternatives to decision-makers
• Budgets reflects institutional plans and priorities
• There is a connecting link between strategic planning and the department budget
• Effective budgeting enhances financial accountability, oversight and communication
IN SUMMARY...

BASIC CONCEPTS

BUDGET ANALYTICS

BUDGET PROCESSES