

# Higher Education Budgeting

WACUBO Business Management Institute  
August 2015

**Teresa Costantinidis**

Interim Senior Vice Chancellor

Finance and Administration

University of California, San Francisco



**WACUBO**

Western Association of College and University Business Officers

[www.wacubo.org](http://www.wacubo.org)

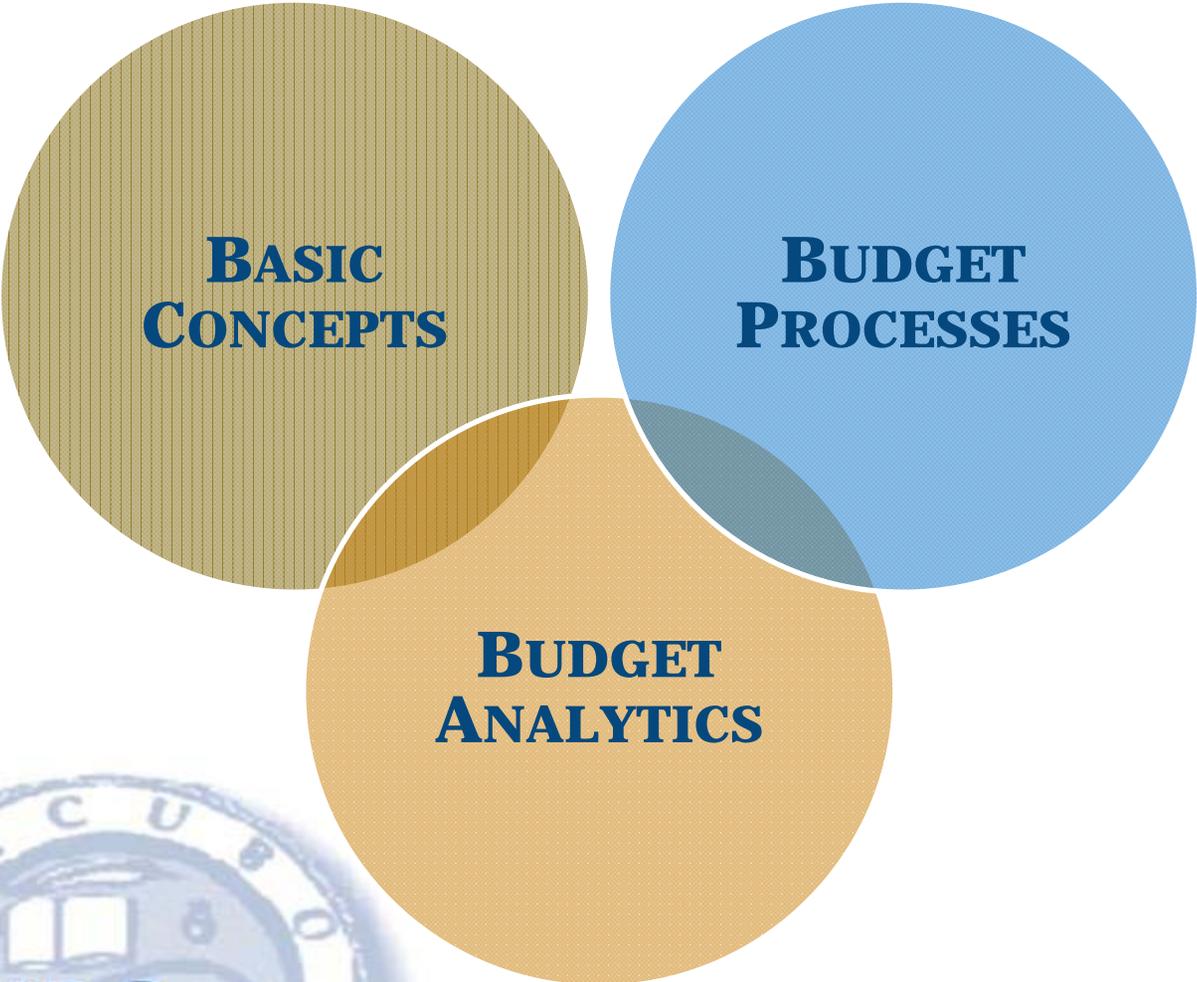
# Higher Education Budgeting

## 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**

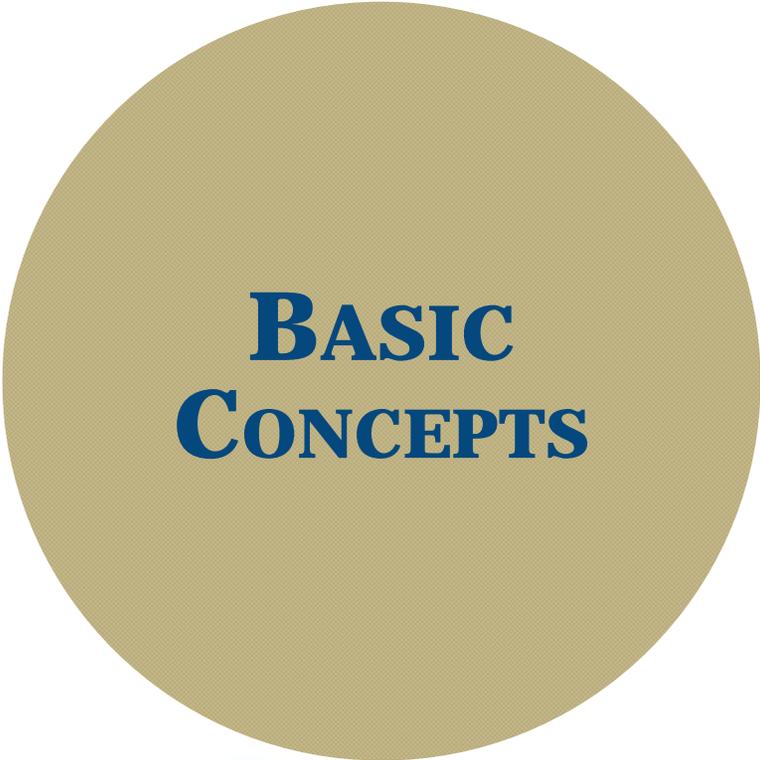
**BUDGET  
PROCESSES**

**BUDGET  
ANALYTICS**



**WACUBO**

Western Association of College and University Business Officers



## **BASIC CONCEPTS**

- 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

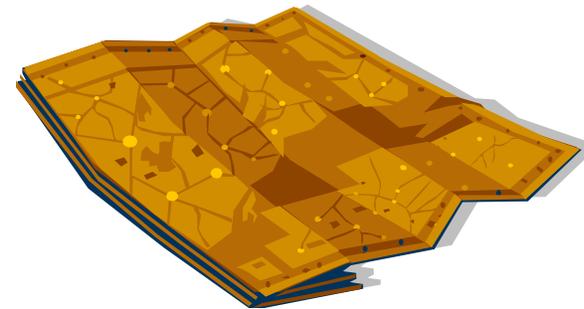
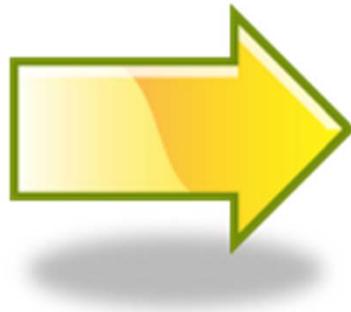
# What do people think when they hear the word, “budget?”

“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



**WACUBO**

Western Association of College and University Business Officers

# What is the purpose of a budget? Why do we do bother?

1)	
2)	
3)	
4)	
5)	

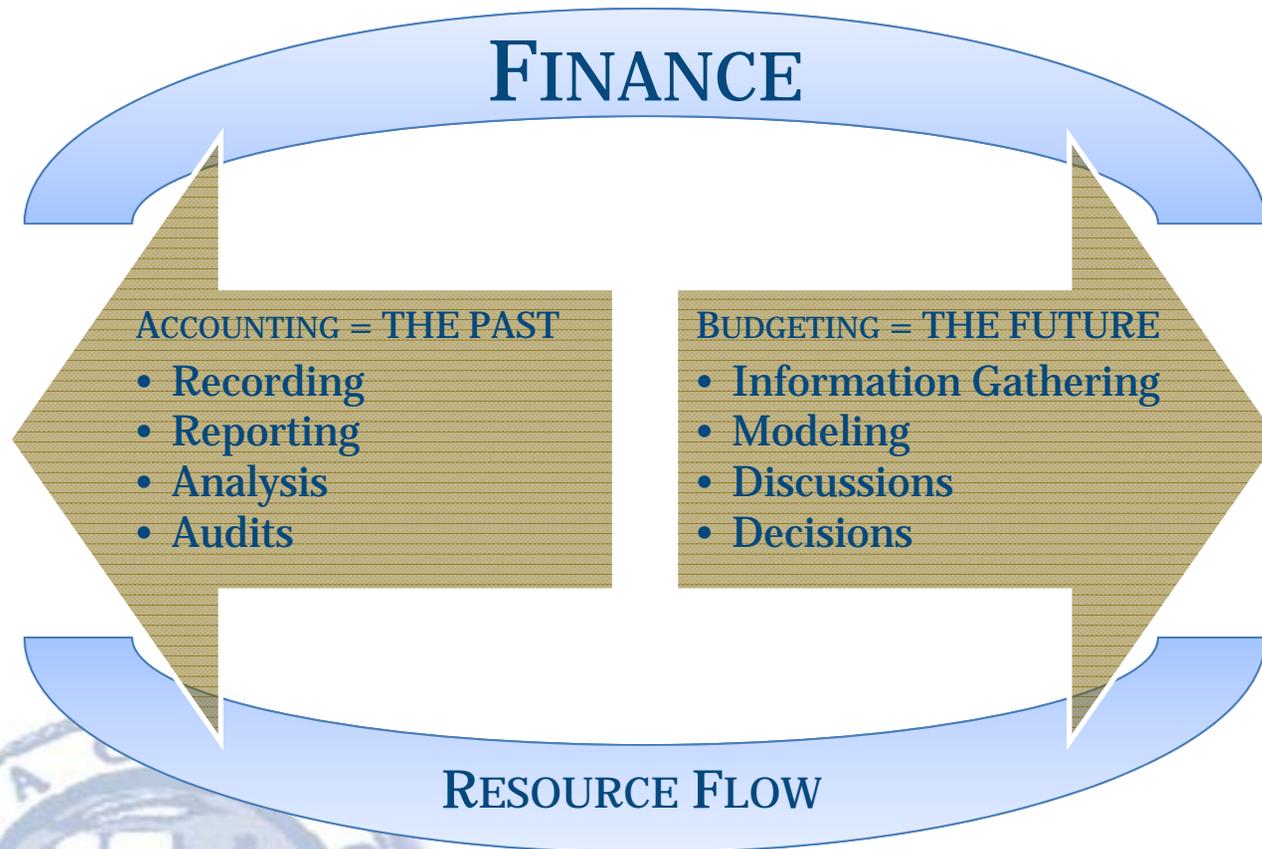


# A budget can serve multiple purposes

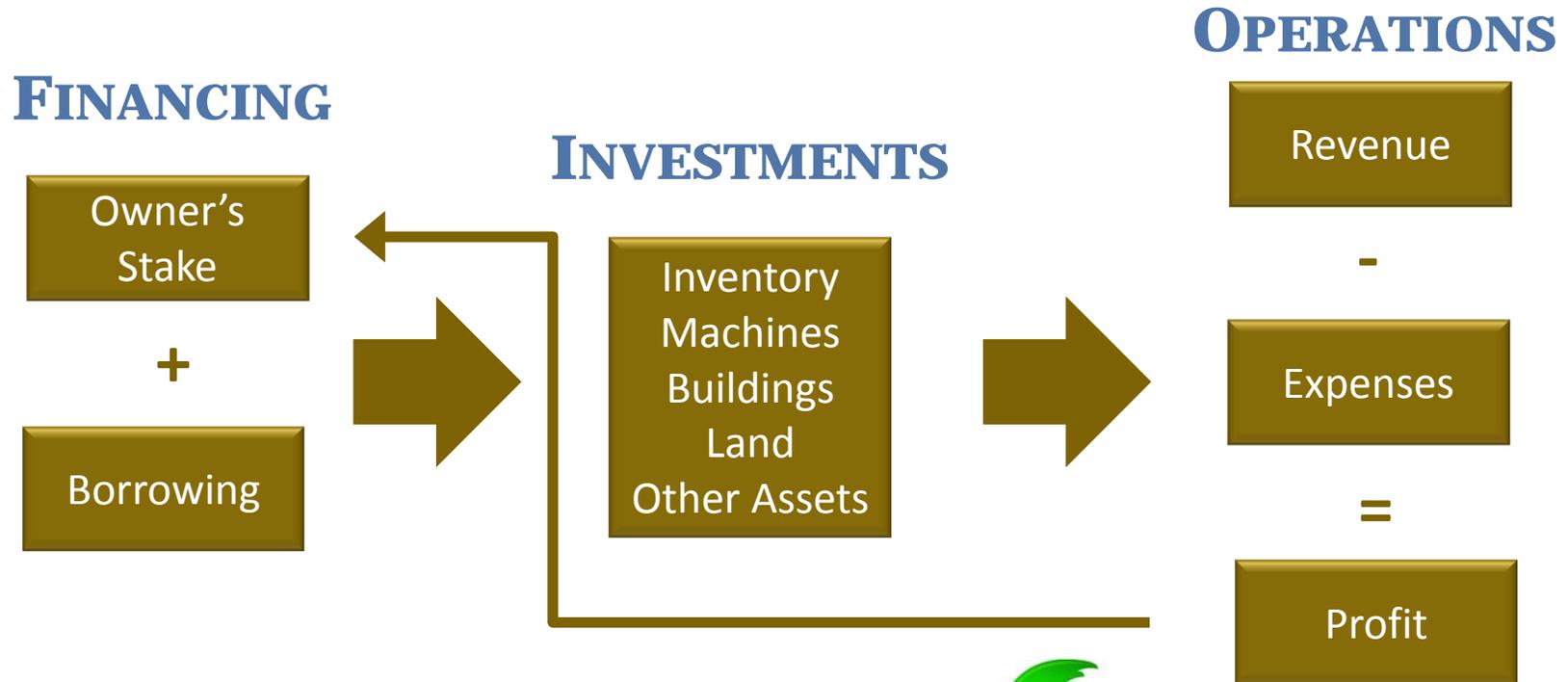
## SAMPLE BUDGET FUNCTIONS:

- 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?



# Understanding “finance” means understanding how money moves around



# This model works for higher education, too!

## FINANCING

Net Position

+

Debt

## INVESTMENTS

Property  
Plant and  
Equipment

## OPERATIONS

Sources

-

Uses

=

Year-End  
Balance

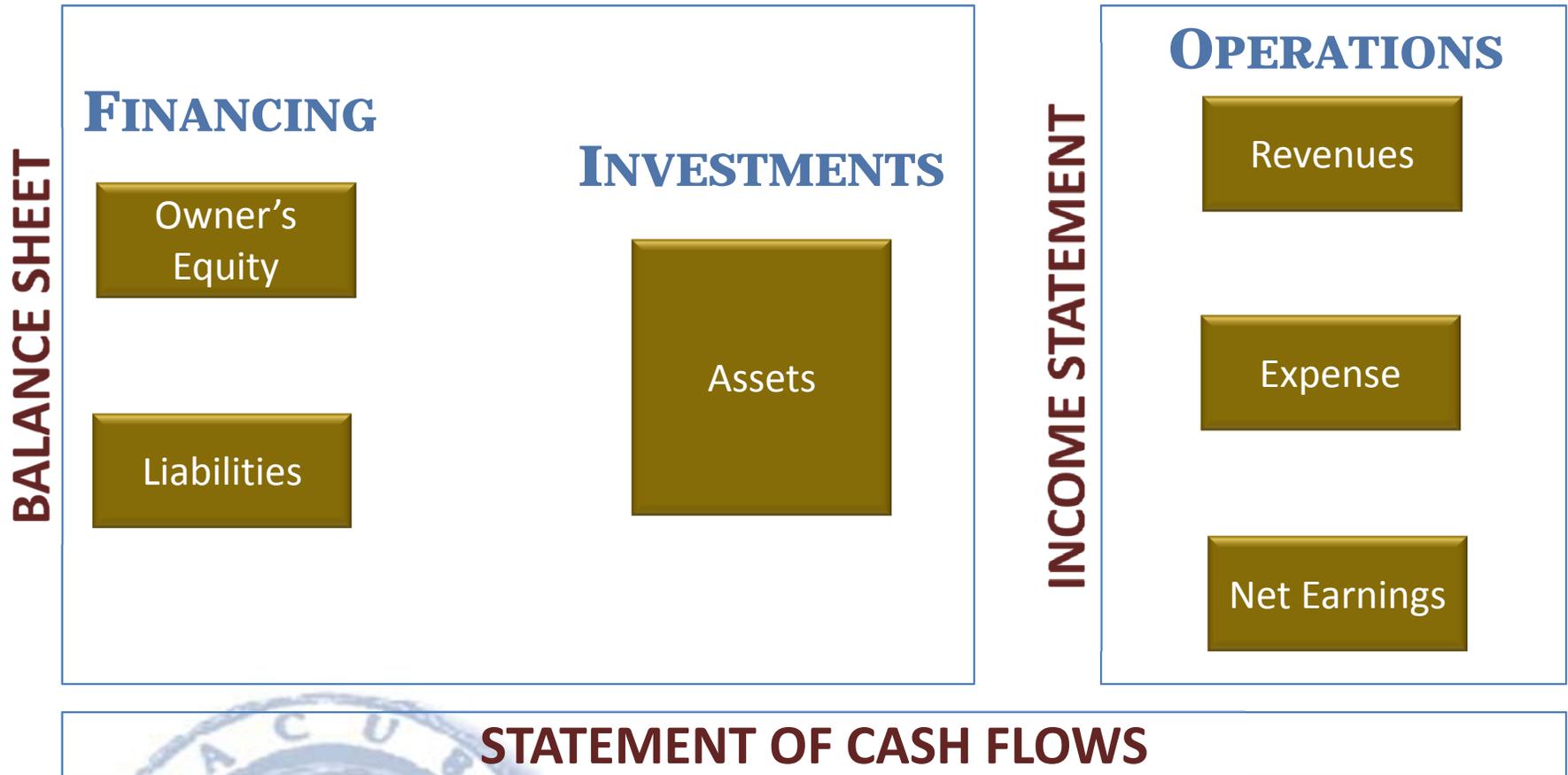


*We just use different words*

**WACUBO**

Western Association of College and University Business Officers

# Financial reports help us manage and understand these buckets



# Most of us create budgets focused on our operating activities

BALANCE SHEET

... but we may also reflect balance sheet obligations like **debt service payments** and funding for **capital investments** for property, plant, and equipment

## OPERATIONS

Sources

-

Uses

=

Fund  
Balance

# Group Budget Exercise

BUILD A BUDGET:



Sources

Uses

# 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

**WACUBO**

Western Association of College and University Business Officers

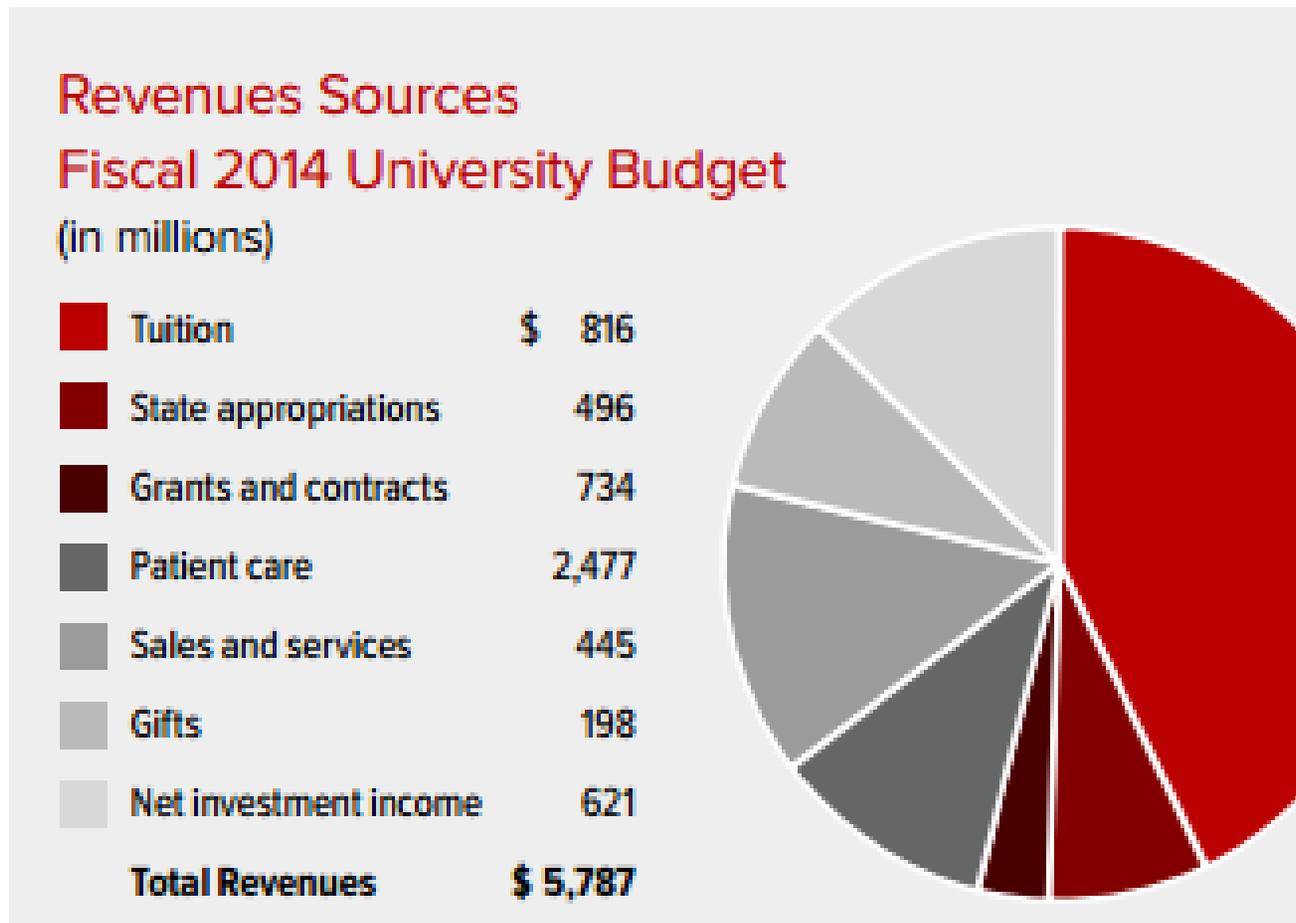
# Fund type tells us where our money comes from

Sources

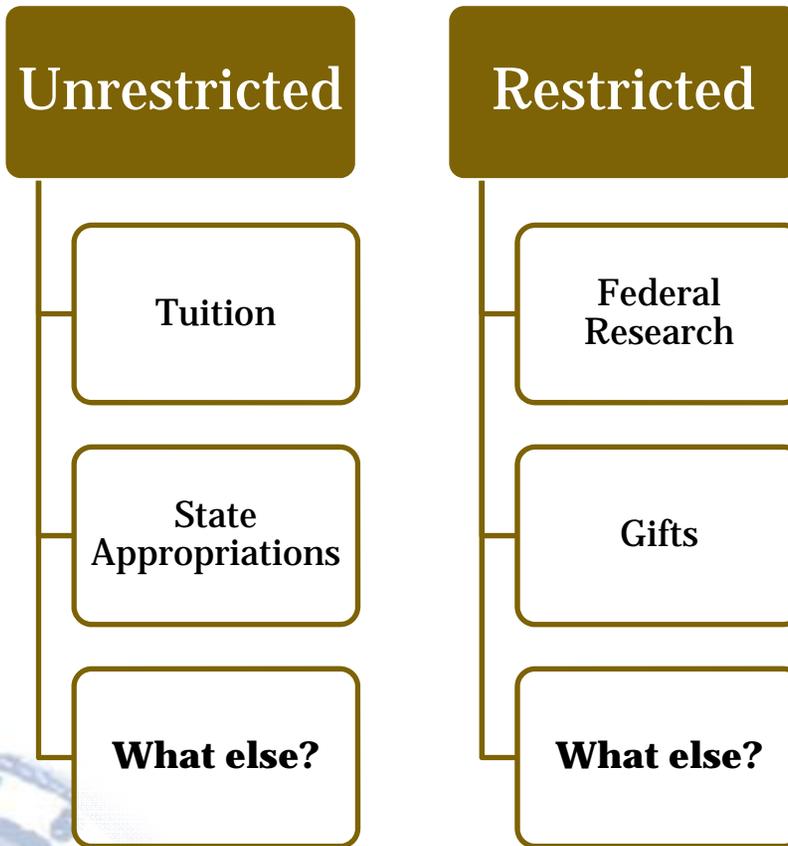
## TYPICAL EXAMPLES:

Tuition	• Students, _____
Appropriations	• State Agencies, _____
Research support	• Federal Government, _____
Private support	• Donors, _____
Auxiliary income	• Students, _____
Sales and service	• General Public, _____
Interest income	• Endowments, _____

# 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

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



# WACUBO

Western Association of College and University Business Officers

## 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

Uses



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

Agency	Description	Professional		Temp. Instructor		Grad	Classified		Wages	Fringe	Operating	Travel	Total
		FTE	Salaries	FTE	Salaries	Assts	FTE	Salaries					
<b>Office of the President</b>		20.66	1,822,776	0.10	18,345	-	4.03	141,034	22,245	640,213	224,710	26,300	2,895,623
<b>Executive Vice President</b>													
	Office of the Provost	30.02	2,703,375	0.50	1,066,522	112,000	7.95	326,043	9,345	1,017,049	1,466,038	11,473	6,711,845
	Libraries	19.00	1,510,711	0.10	60,000	-	33.55	1,372,816	250,000	1,050,220	2,293,857	15,000	6,552,604
	Information Technology	46.60	3,179,784	0.20	100,000	-	14.38	648,435	202,000	1,318,555	2,305,593	18,000	7,772,367
	Liberal Arts	205.98	15,975,987	0.10	791,243	1,624,000	26.93	1,113,066	36,568	5,476,017	754,740	-	25,771,621
	Education	42.86	3,796,443	0.20	149,435	378,000	8.00	361,662	34,320	1,320,283	237,934	1,000	6,279,077
	Science	121.07	10,949,053	0.10	283,870	2,267,000	28.12	1,245,336	45,127	3,887,772	676,167	-	19,354,325
	Journalism	13.20	1,156,918	-	-	58,964	3.00	134,342	6,778	380,501	69,415	-	1,806,918
	Business	57.80	6,208,520	0.10	132,001	147,000	6.00	263,862	18,912	1,770,312	157,457	-	8,698,064
	Engineering	66.05	7,008,436	-	-	503,300	14.03	638,519	86,800	2,139,848	658,537	-	11,035,440
	Research	8.53	920,376	-	-	34,000	18.00	743,338	53,333	570,447	241,719	-	2,563,213
	Health Sciences	63.28	5,319,482	0.30	345,691	219,800	12.20	448,470	21,785	1,809,636	216,569	15,000	8,396,433
	Biotech & Natural Resources	18.91	2,068,285	0.10	37,060	211,643	1.25	52,805	12,554	591,704	173,965	-	3,148,016
	<b>Subtotal</b>	<b>693.30</b>	<b>60,797,370</b>	<b>1.70</b>	<b>2,965,822</b>	<b>5,555,707</b>	<b>173.41</b>	<b>7,348,694</b>	<b>777,522</b>	<b>21,332,344</b>	<b>9,251,991</b>	<b>60,473</b>	<b>108,089,923</b>
	<b>Development &amp; Alumni Relations</b>	<b>26.23</b>	<b>2,144,999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>675,610</b>	<b>53,244</b>	<b>-</b>	<b>2,873,853</b>
	<b>Administration &amp; Finance</b>	<b>37.82</b>	<b>3,778,145</b>	<b>0.10</b>	<b>8,800</b>	<b>-</b>	<b>280.18</b>	<b>12,058,289</b>	<b>312,973</b>	<b>6,580,923</b>	<b>9,903,484</b>	<b>58,500</b>	<b>32,701,114</b>
	<b>Student Services</b>	<b>46.10</b>	<b>3,126,859</b>	<b>0.20</b>	<b>61,687</b>	<b>-</b>	<b>28.00</b>	<b>1,133,889</b>	<b>273,647</b>	<b>1,495,425</b>	<b>1,197,089</b>	<b>-</b>	<b>7,288,596</b>
	<b>Scholarships</b>	<b>-</b>	<b>-</b>	<b>0.10</b>	<b>13,289</b>	<b>84,000</b>	<b>-</b>	<b>-</b>	<b>88,408</b>	<b>17,197</b>	<b>7,550,380</b>	<b>-</b>	<b>7,753,274</b>
	<b>Reserves</b>	<b>-</b>	<b>(1,653,015)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(479,166)</b>	<b>-</b>	<b>(2,344,969)</b>	<b>-</b>	<b>-</b>	<b>(4,477,150)</b>
	<b>University Campus</b>	<b>824.11</b>	<b>70,017,134</b>	<b>2.20</b>	<b>3,067,943</b>	<b>5,639,707</b>	<b>485.62</b>	<b>20,202,740</b>	<b>1,474,795</b>	<b>28,396,743</b>	<b>28,180,898</b>	<b>145,273</b>	<b>157,125,233</b>
	<b>Intercollegiate Athletics</b>	<b>11.47</b>	<b>628,122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6.00</b>	<b>223,046</b>	<b>-</b>	<b>327,859</b>	<b>3,756,567</b>	<b>-</b>	<b>4,935,594</b>
	<b>Statewide Programs</b>	<b>18.05</b>	<b>1,687,282</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>3.89</b>	<b>174,704</b>	<b>1,989</b>	<b>551,543</b>	<b>590,852</b>	<b>-</b>	<b>3,021,370</b>
	<b>Business Center</b>	<b>4.70</b>	<b>435,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16.59</b>	<b>792,895</b>	<b>16,000</b>	<b>483,767</b>	<b>138,168</b>	<b>1,000</b>	<b>1,867,170</b>
	<b>Agricultural Experiment Station</b>	<b>27.78</b>	<b>3,128,959</b>	<b>-</b>	<b>-</b>	<b>696,978</b>	<b>8.83</b>	<b>380,104</b>	<b>156,967</b>	<b>1,064,909</b>	<b>913,487</b>	<b>55,217</b>	<b>6,396,621</b>
	<b>Cooperative Extension</b>	<b>23.76</b>	<b>2,313,310</b>	<b>0.30</b>	<b>253,308</b>	<b>-</b>	<b>8.73</b>	<b>366,327</b>	<b>11,692</b>	<b>824,437</b>	<b>990,905</b>	<b>8,040</b>	<b>4,768,019</b>
	<b>School of Medicine</b>	<b>115.49</b>	<b>15,555,154</b>	<b>1.20</b>	<b>488,732</b>	<b>77,529</b>	<b>63.81</b>	<b>2,495,498</b>	<b>68,382</b>	<b>4,956,133</b>	<b>10,403,264</b>	<b>305,247</b>	<b>34,349,939</b>
	<b>State Public Health Laboratory</b>	<b>1.81</b>	<b>253,704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15.29</b>	<b>696,333</b>	<b>-</b>	<b>358,141</b>	<b>210,142</b>	<b>-</b>	<b>1,518,320</b>
	<b>TOTAL STATE</b>	<b>1,027.17</b>	<b>94,019,005</b>	<b>3.70</b>	<b>3,809,983</b>	<b>6,429,214</b>	<b>608.76</b>	<b>25,331,647</b>	<b>1,729,825</b>	<b>36,963,532</b>	<b>45,184,283</b>	<b>514,777</b>	<b>213,982,266</b>

## We also use “functional classifications” to show how our expenses support our mission

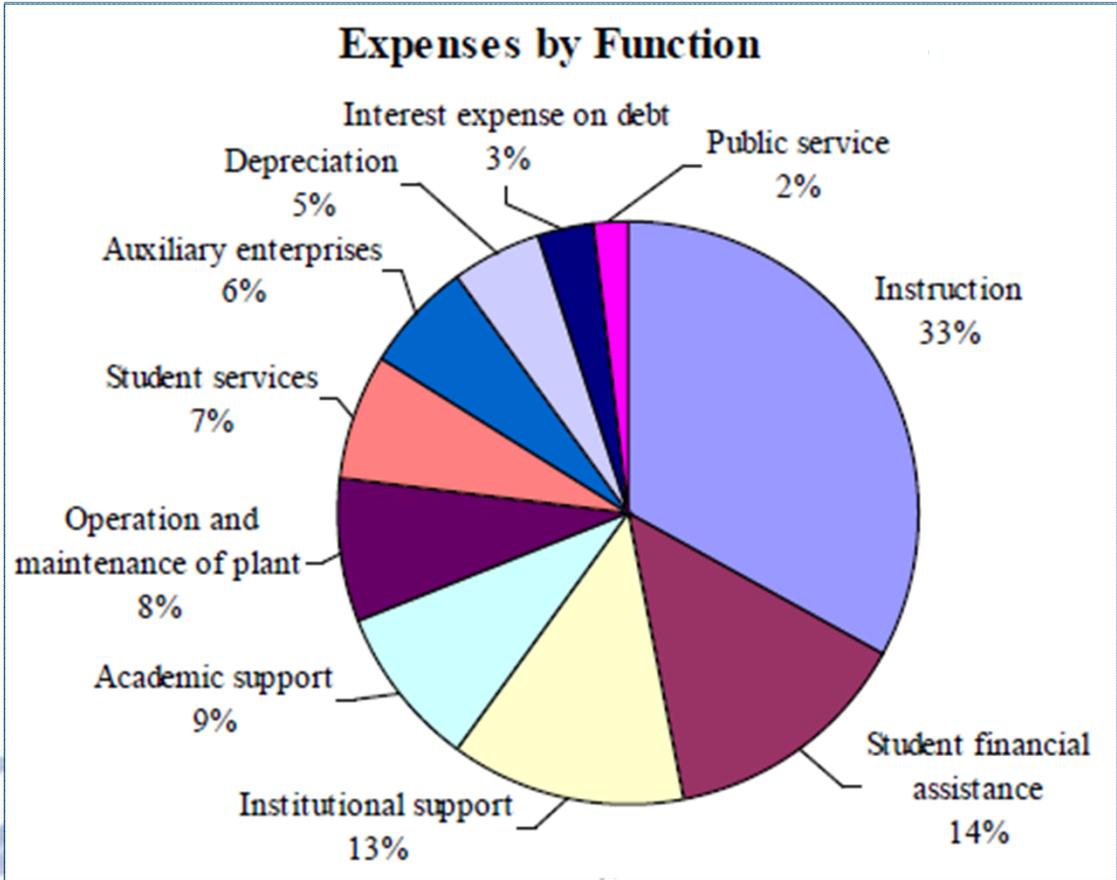
- Instruction
- Research
- Public Service
- Academic Service/Support
- Student Services
- Institutional Support
- Auxiliary Enterprises
- Service Centers
- Scholarships and Fellowships
- Operation and Maintenance of Plant
- Libraries
- Hospitals

This attribute is used to group funds according to the nature of the current fund expenditure as defined by the National Association of College and University Business Officers (NACUBO) publication *College and University Business Administration*.

*They also assist with our overhead rate negotiations with the Federal Government.*

# What kind of institution do you think this is?

Uses



# Both sources and uses may be earmarked by the organization

Both Sources  
and Uses

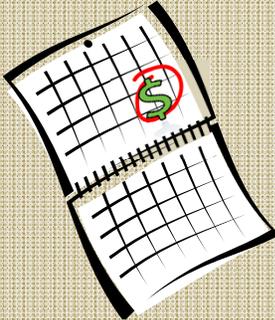
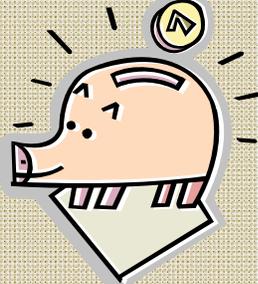
## Designated

- Faculty Recruitment
- Student Aid
- Research

## Undesignated

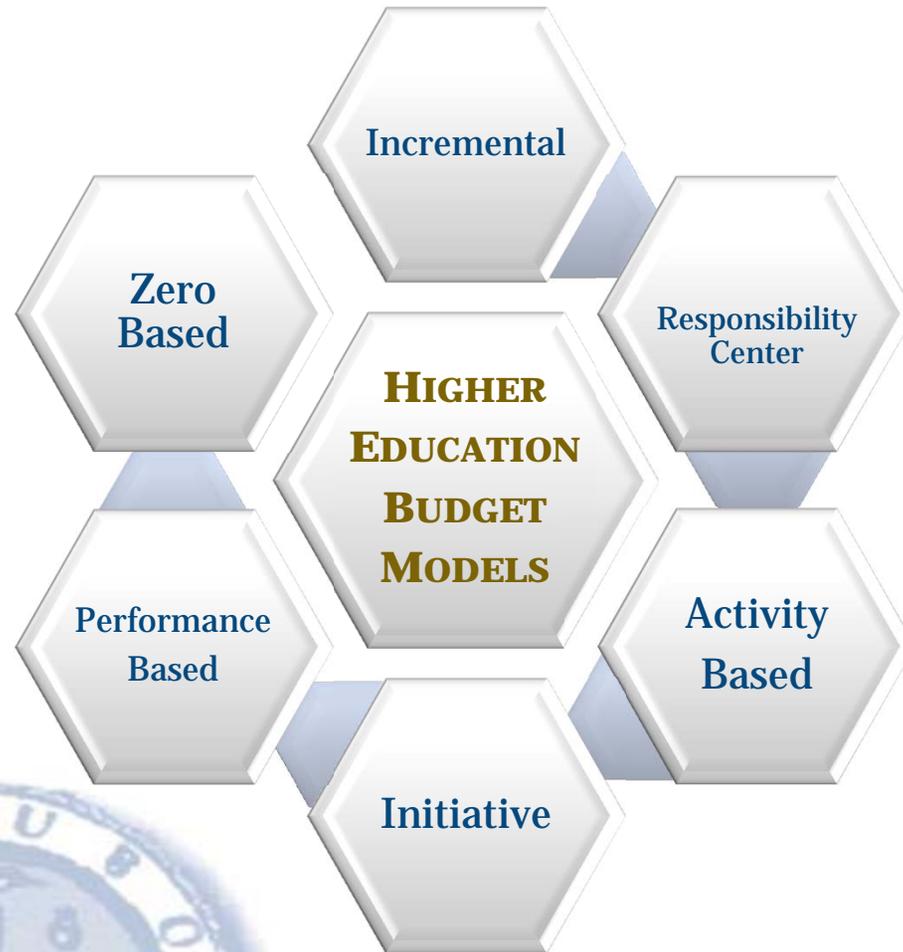
- Unrestricted fund balance
- Interest income

# It is also important to be aware of the timing and duration of your funding

	Sources	Uses	Fund Balance or Reserve
Recurring On-Going or Permanent			
One-Time or Temporary			

*Remember: No money is guaranteed!*

# Colleges and universities approach budgeting in various ways



# 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

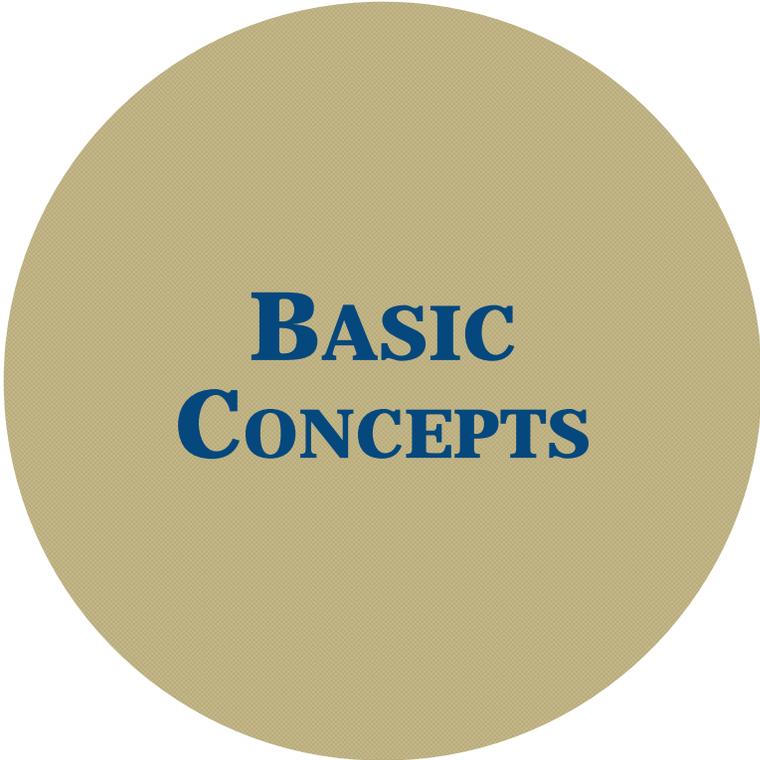
“Inappropriate measures can be worse than no measures at all because they can incent the wrong kinds of behaviors.”

—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

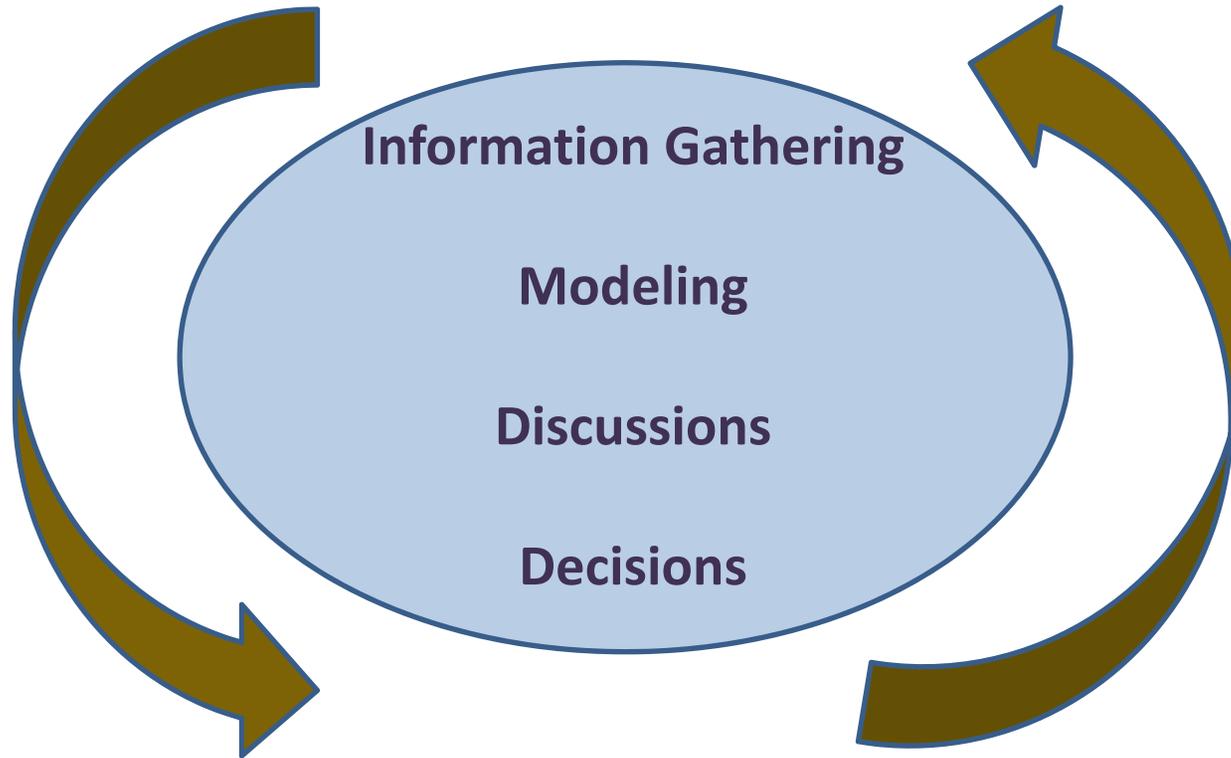


## **BASIC CONCEPTS**

# BUDGET PROCESSES

- 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



# Institutional Budgeting

- Public – State University
- Private – Liberal Arts College



# Public Research University Budget Cycle

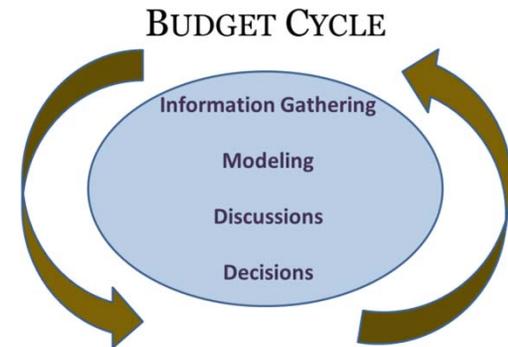
	July – Sept	Oct-Dec	Jan-Mar	Apr-June
<b>State</b>		Submit State budget materials	Governor issues budget proposal	Legislature passes appropriations bills
<b>Regents</b>	Provide guidance on investment request  3-year capital improvement plan approved (Sept)	Mid-year capital development plan approved  University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

# 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 .....**



Account Title	2009-10 Actuals	2010-11 Actuals	2011-12 Actuals	2012-13 Actuals	2013-14 Actuals	2014-15 Actuals	2015-16 Proposed Budget	Six Year Average
Salaries	15,055.19	10,207.13	11,538.10	13,791.07	14,204.80	15,689.27		13,400
Temporary or On-Call Hourly	153.12	1,400.50	94.52	1,485.79	123.69	3,542.13		1,100
<b>Subtotal - Salaries</b>	<b>15,208.31</b>	<b>11,607.63</b>	<b>11,632.62</b>	<b>15,276.86</b>	<b>14,328.49</b>	<b>19,231.40</b>		<b>14,500</b>
Instructional Supplies	2,547.75	3,371.15	3,182.40	5,225.77	5,030.51	2,374.75		3,600
Office Supplies	4,787.87	2,714.72	5,225.58	3,223.44	3,959.64	4,201.53		4,000
Telephone Charges	1,469.99	754.80	297.58	344.31	448.91	549.62		600
General Printing & Binding	1,895.75	1,065.10	954.38	1,386.40	1,425.70	3,415.73		1,700
Copying	1,993.49	615.79	1,056.70	779.04	1,602.90	745.64		1,100
Postage	1,551.32	213.75	331.40	209.70	790.17	32.48		500
Shipping and Express Service	10.90	12.06	15.10	-	-	24.91		-
Professional Services	13,357.87	9,501.98	9,096.75	9,608.20	24,578.33	8,958.34		12,500
Official Functions	5,125.51	4,431.96	4,709.62	7,109.82	4,334.91	14,914.78		6,800
Dues & Memberships	1,360.00	935.00	1,130.00	1,464.00	1,936.00	3,329.00		1,700
Software Licensing Fees	4,350.00	4,350.00	6,195.00	3,195.00	8,002.61	3,289.90		4,900
Building Maintenance Services	977.56	-	33.10	-	158.40	-		200
Airfare	4,003.70	2,217.71	4,525.14	3,458.14	5,387.04	8,892.30		4,700
Ground Transportation	652.40	617.23	1,543.14	669.39	942.58	2,417.22		1,100
Lodging	2,688.11	3,840.06	2,910.90	3,149.79	6,064.52	11,824.52		5,100
Meals & Incidentals	728.19	811.60	712.45	831.54	1,612.14	5,755.50		1,700
Conference Registration Fees	3,323.96	2,763.00	3,288.00	3,621.61	3,514.90	4,022.00		3,400
Office Equipment	850.87	2,728.92	-	475.31	-	1,422.00		900
<b>Subtotal - Operating Expenses</b>	<b>51,675.24</b>	<b>40,944.83</b>	<b>45,207.24</b>	<b>44,751.46</b>	<b>69,789.26</b>	<b>76,170.22</b>		<b>54,800</b>
	<b>66,883.55</b>	<b>52,552.46</b>	<b>56,839.86</b>	<b>60,028.32</b>	<b>84,117.75</b>	<b>95,401.62</b>		<b>69,300</b>

# 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

## OUTDOOR ADVENTURES

### First Year Student - Outdoor Orientation Trips

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

\*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?



## BUDGET PROCESSES



# BUDGET ANALYTICS

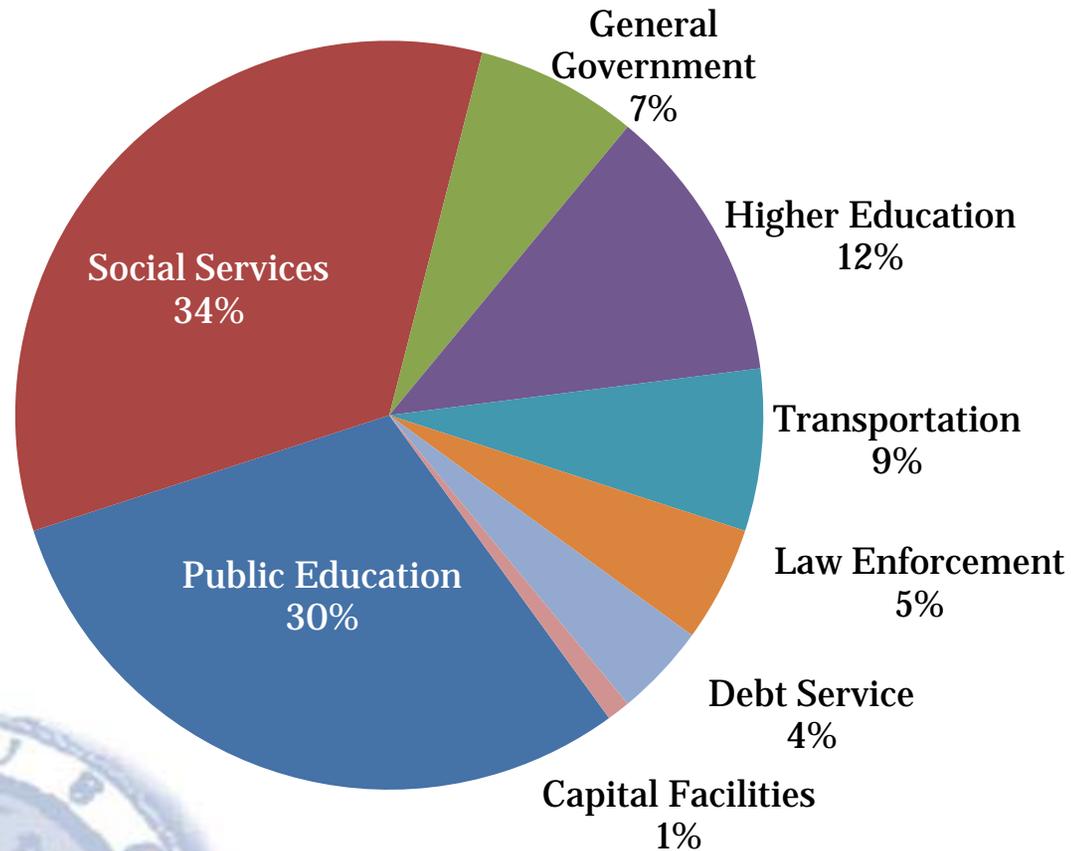
- Budgets reflects institutional plans and priorities
- There is a connecting link between strategic planning and the department budget
- Effective budgeting enhances financial accountability, oversight and communication

# SHOW ME THE MONEY

*BUDGETS REFLECT PRIORITIES*



**A LOOK**  
*at the*  
**BUDGET**



Source: FY 2014 Utah Legislative Appropriations Report

**WACUBO**

Western Association of College and University Business Officers

# Budgeting should begin with a plan

**INSTITUTIONAL MISSION STATEMENT**

**Institution  
Strategic  
Plan**

**Department  
Operational  
Plan**

**Department  
Operating  
Budget**

**WACUBO**

Western Association of College and University Business Officers

55

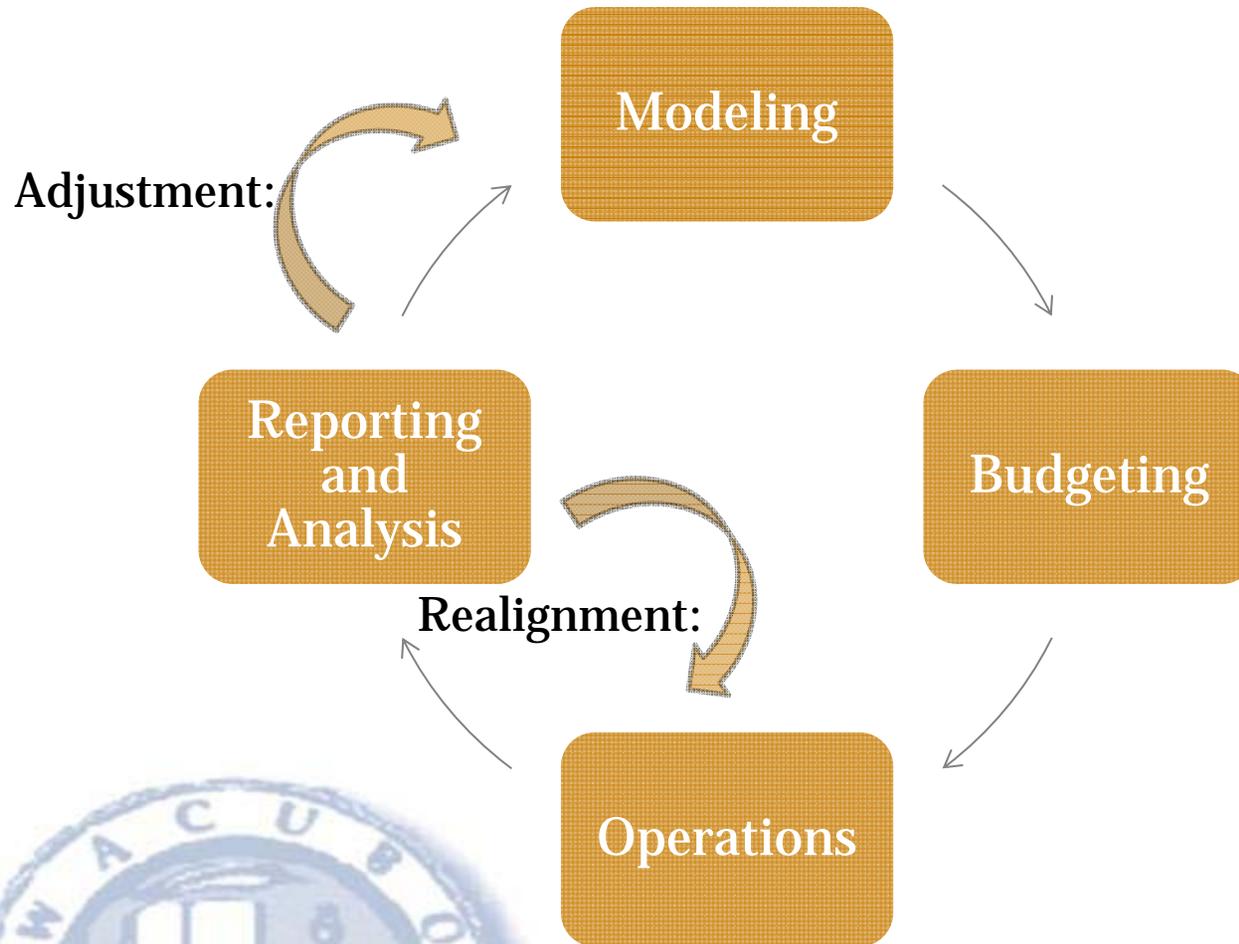
[www.wacubo.org](http://www.wacubo.org)

# Aligned budgets help institutions achieve overarching institutional objectives

- Transparency
- Accountability
- Risk Management
- Accreditation
- Other Reasons?



# The budget process provides opportunities to course-correct



# Effective budgetary analysis helps hold the institution accountable

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

**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



## **BUDGET ANALYTICS**

# IN SUMMARY...

**BASIC  
CONCEPTS**

**BUDGET  
PROCESSES**

**BUDGET  
ANALYTICS**

**WACUBO**

Western Association of College and University Business Officers