BALL STATE UNIVERSITY BUDGET REDESIGN INITIATIVE

Open Forum

September 9, 2019

Draft: For Discussion Purposes Only
Deliberative Document

Discussion Topics

1) Review budget initiative timeline, guiding principles, and model components

2) Introduce new budget model governance and process

3) Present best practices for support unit budget presentations

4) Introduce service level agreements

5) Facilitate question and answer session

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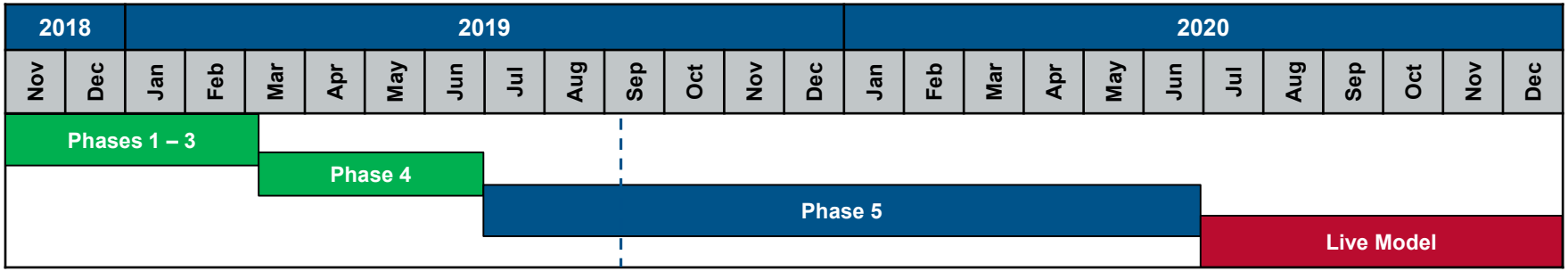
Implementation Timeline

The timeline below outlines an 18-24 month transition to implement a new budget model.



Phase	Overview
1. Due Diligence and Visioning	Develop a clear understanding and vision through an assessment of current resource allocation practices
2. Financial Modeling	Build-out a “pro-forma” model to provide a platform for testing different model alternatives
3. Consensus Building	Address change management through methodical, data-driven stakeholder engagement
4. Infrastructure Development	Develop supporting tools, processes, and governance to carry out budget development
5. Parallel Year	Test a new model to understand outcomes if the new model were implemented

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Guiding Principles

The budget model will promote student success, stimulate strategic growth, encourage innovation and entrepreneurship, and support interdisciplinary and institutional excellence. It will also be characterized by the principles below:

1	Develop a dynamic budget model that aims to stimulate intentional growth and advance the University's mission and strategic plan
2	Align resources with institutional priorities through broader participation in the budget development process to incentivize instruction, scholarship, and student success for all units
3	Reward performance, creativity, innovation, and collaboration and hold units accountable for resource stewardship to contribute to the University's collective fiscal health
4	Provide a transparent metrics-based approach to resource allocation that also generates discretionary funds to be used for mission critical areas and strategic priorities
5	Use a simple methodology that enhances management decision-making, accountability, and long-range planning
6	Leverage valid, reliable, and verifiable data so that the budget model serves as a strong predictor of positive operating performance

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Budget Model Income Statement

Fund Types / Restriction

Allocable and Direct Revenues

Unit Organization

Direct Expenditures

Support/Central Unit Allocations

Central Funding Mechanism

		Primary Unit											Support Unit	
		CAP	CAP	CAP	CCIM	CFA	COH	CSH	MCOB	TC	Burris & Indiana Academy	Academic Units Total	Auxiliary Units Total	Support Units Total	University Total
		Unrestricted	*Restricted*	*Total*	*Total*	*Total*	*Total*	*Total*	*Total*	*Total*	*Total*	*Total*	*Total*	*Total*	*Total*
1															
2	**Revenues**														
5	**Total Undergraduate Tuition**	F	F	F	F	F	F	F	F	F	F	F	F	##	F
8	**Total Graduate Tuition**	F					F	F					F	##	F
11	**Total Online Tuition**	F					F	F					F	##	F
12	Program & Course Fees	##					##	##					##	##	##
13	Other Student Fees	##					##	##					##	##	##
14	Less: Undergraduate Aid	F					F	F	F	F	F	F	F	##	F
15	Less: Graduate Aid	##					##	##	##	##	##	##	##	##	##
16	**Total Tuition & Fees**														
17															
22	**Total State Appropriations**	F	F	F	F	F	F	F	F	F	F	F	F	##	F
23	Grants & Contracts	##	##	##	##	##	##	##	##	##	##	##	##	##	##
24	Indirect Cost Recovery (IDC) Revenue	##	##	##	##	##	##	##	##	##	##	##	##	##	##
25	Gifts	##	##	##	##	##	##	##	##	##	##	##	##	##	##
26	Sales, Services, & Other	##	##	##	##	##	##	##	##	##	##	##	##	##	##
27	**Total Other Revenues**														
29	**TOTAL REVENUES**														
30															
	Expenditures														
31	Faculty - Contract Wages	##	##	##	##	##	##	##	##	##	##	##	##	##	##
32	Faculty - Professional Wages	##					##	##	##	##	##	##	##	##	##
33	Faculty Wages	##					##	##	##	##	##	##	##	##	##
34	Staff & Student Wages	##					##	##	##	##	##	##	##	##	##
35	Benefits	##					##	##	##	##	##	##	##	##	##
36	**Total Wages and Benefits**														
37															
38	Supplies, Equipment & Other	##					##	##	##	##	##	##	##	##	##
39	Travel	##	##	##	##	##	##	##	##	##	##	##	##	##	##
40	Utilities, Maintenance & Renovations	##	##	##	##	##	##	##	##	##	##	##	##	##	##
41	Rent	##	##	##	##	##	##	##	##	##	##	##	##	##	##
42	Services	##	##	##	##	##	##	##	##	##	##	##	##	##	##
43	Depreciation	##	##	##	##	##	##	##	##	##	##	##	##	##	##
44	**Total Supplies, Services and Other**														
46	**TOTAL DIRECT EXPENDITURES**														
48	Transfer In	##	##	##	##	##	##	##	##	##	##	##	##	##	##
	Transfer Out	##	##	##	##	##	##	##	##	##	##	##	##	##	##
50	**MARGIN BEFORE SUPPORT UNIT COST ALLOCATIONS**														
53	**Allocated Administrative Support Unit Costs**														
54	Academic Support	F					F	F	F	F	F	F	F	##	F
55	Administrative Services	F					F	F	F	F	F	F	F	##	F
56	Employee Services	F					F	F	F	F	F	F	F	##	F
57	Facilities	F					F	F	F	F	F	F	F	##	F
58	IT	F	F	F	F	F	F	F	F	F	F	F	F	##	F
59	Libraries	F	F	F	F	F	F	F	F	F	F	F	F	##	F
60	Research Administration	F	F	F	F	F	F	F	F	F	F	F	F	##	F
61	Student & Enrollment Services	F	F	F	F	F	F	F	F	F	F	F	F	##	F
62	**Total Allocated Administrative Support Unit Costs**														
65															
66	**MARGIN AFTER SUPPORT UNIT COST ALLOCATIONS**														
69	Participation Fee Payment	F					F	F	F	F	F	F	F		F
70	**MARGIN AFTER PARTICIPATION FEE PAYMENT**														
72	Subvention Fund Disbursement	M					M	M	M	M	M	M	M		M
73	Strategic Investment	M	M	M	M	M	M	M	M	M	M	M	M		M
74	**MARGIN AFTER FEE PAYMENT AND DISBURSEMENT**														

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Primary Units Organization

Select units were classified as Primary Units and then organized into two categories: Academic and Auxiliary.

Primary Units	
Academic Units (8)	**Auxiliary Units (3)**
▪ College of Architecture and Planning ▪ College of Fine Arts ▪ College of Communication, Information and Media ▪ College of Health ▪ College of Sciences and Humanities ▪ Miller College of Business ▪ Teacher's College ▪ Burris & Indiana Academy	▪ Athletics ▪ Housing and Dining ▪ Vehicle Facilities and Parking

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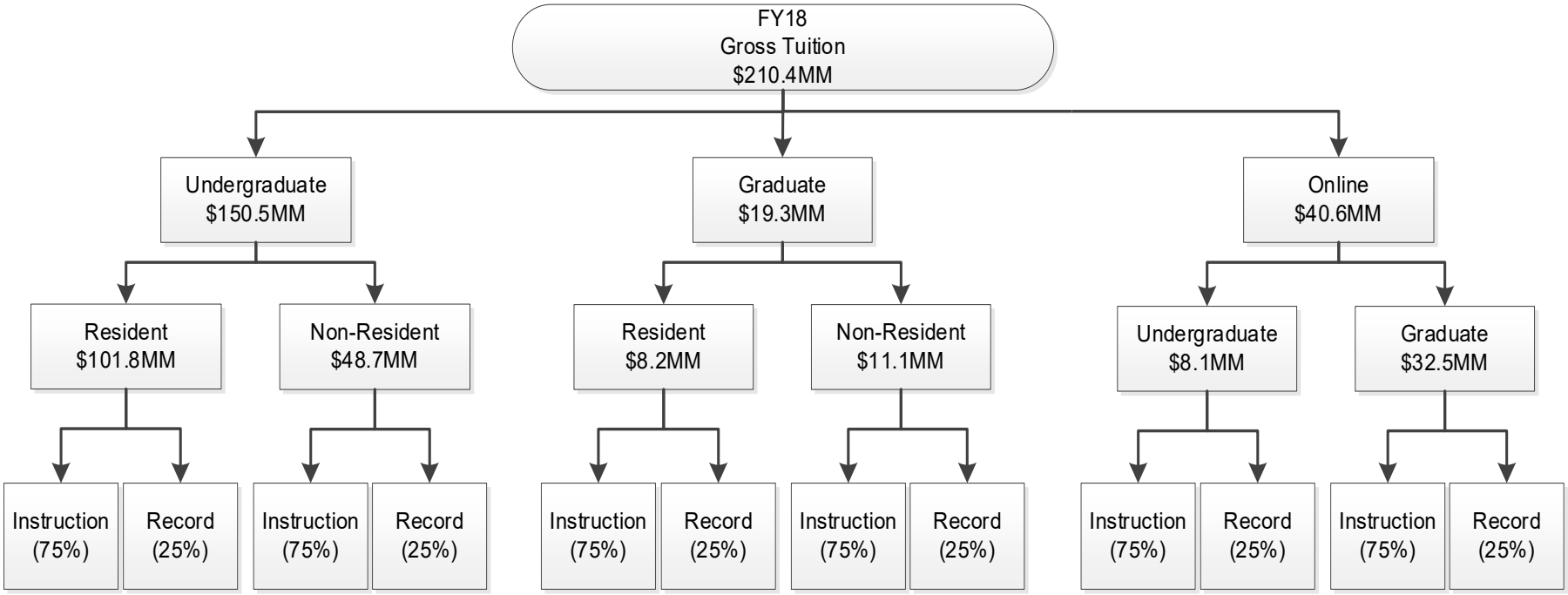
General Tuition Allocations

Huron worked with the Budget Office to create three major tuition categories[1]. The Steering Committee selected metrics to incentivize the College of Instruction and Record across all tuition types.



Note 1: The general ledger does not contain this level of tuition detail; the Budget Office provided the more granular tuition breakouts shown above.

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Financial Aid

Several types of financial aid were reviewed and some components will be treated differently in the new model.

	Direct Aid	General Aid
Undergraduate Aid	$8.5MM - Will continue to flow directly to the units as recorded within the general ledger	$46.7M - Will be allocated to each of the academic units based on a College's proportional share of undergraduate tuition that they receive through the allocation methodology
Graduate Aid *(Stipends & Tuition Remissions)*	$9.8M - Will continue to flow directly to the units as recorded within the general ledger	$13.1M – Reclassified to individual units based on where the graduate student is paid

Note 1: Restricted federal aid of $59.3 is removed as an equivalent amount of federal dollars are received and restricted for this use.

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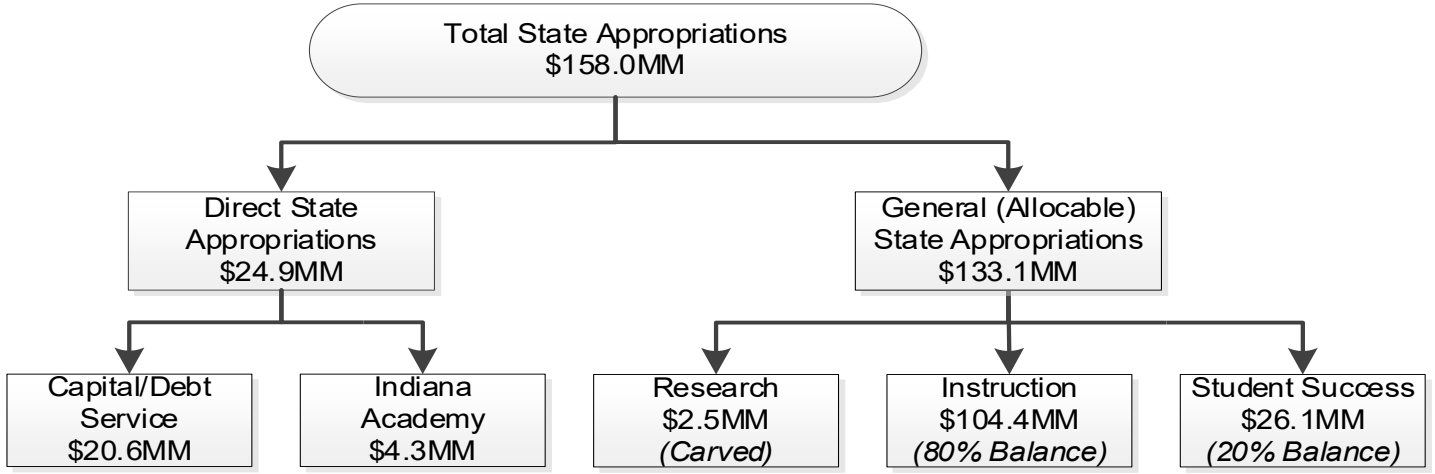
State Appropriation Allocations

The proposed model recognizes the nature of earmarked dollars and leverages remaining resources ($133.1MM) to align with BSU's new strategic plan and the Indiana Performance-Based Funding Model. The allocation of incentives does not apply to Auxiliaries and central units.



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Program and Course Fee Revenue

In the proposed budget model, program and course fee revenue is directly attributed to the campus unit where the revenue is generated.

Current Practice	Program and course fee revenue is received centrally, then later allocated to campus units based on a standing methodology
New Methodology	Attribute 100% of program and course fees to the units where program and course fees originate
Rationale	Attributing 100% of program and course fees reflects actual amounts generated and could better support academic entrepreneurship and costs related to course development
Implications	▪ Campus units will receive 100% of the program and course fee revenue to support instructional cost and better recognize where the revenue is generated ▪ Monitor / govern how fees are esstablished and/or used?

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IDC Revenue

In the proposed budget model, Indirect Cost Recovery (IDC) revenue is attributed 100% directly to the campus unit where the cost is incurred.

Current Practice	▪ 80% directed to the university general fund ▪ 10% directed to the department ▪ 5% directed to the principal investigator ▪ 5% directed to the Dean
New Methodology	Attribute 100% of IDC revenue to campus units where IDC is generated
Rationale	Attributing 100% of IDC revenue to the units should reflect actual amounts generated to support research, further incentivize the pursuit of higher recovery, and help cover facilities and administration expenses
Implications	▪ Campus units involved in research will receive 100% of the IDC revenue ▪ Portions of these funds may have been used to cover support unit costs and central investment pools (e.g., strategic investment, deferred maintenance, etc.); therefore, proposal may not result in a net revenue increase for a particular campus unit

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Support Units Allocations

The proposed model allocates the majority of revenues directly to colleges, leaving the university's infrastructure unfunded. In order to support these units, the model pools and allocates support unit's net costs using select variables.

Cost Pool	Allocation Metric
Academic Support	Student Headcount
Administrative Services	Total Direct Expenses
Employee Services	Total Employee Headcount
Facilities	Net Assignable Square Ft.
Information Technology	Total Institutional Headcount
Libraries	Student Headcount + Faculty Headcount
Research Administration	Grants and Contracts Revenue
Student & Enrollment Services	Student Headcount

Notes:
- Functional organization depicted for model development does not represent an institutional reorganization will occur/is required.
- Costs allocated to revenue-generating units will represent the net of each administrative service unit's revenues and expenses.

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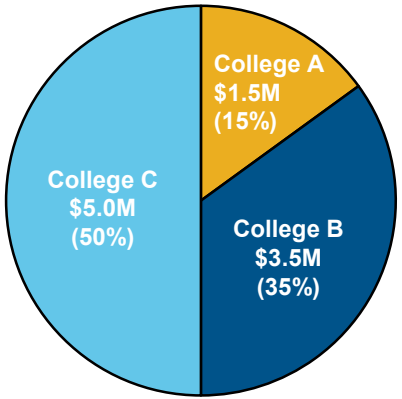
Example: Cost Allocation Calculation

Once a support unit cost pool amount is determined, activity-level metrics are used to allocate proportional expenses to Colleges. Below is an illustrative example for an IT cost pool using "Institutional Headcount" as the activity-level metric.

IT Cost Pool Net Expenditures	
IT Cost Pool Net Expenditures	$10M

Institutional Headcount Metric		
College	Headcount (HC)	HC %
College A	300	15%
College B	700	35%
College C	1,000	50%
College Total	**2,000**	**100%**

IT Cost Pool Allocation



- In this particular example, the IT cost pool would allocate $5K per institutional headcount ($10M / 2k)
- In future years, this amount will vary depending on the approved budget of the IT cost pool

The activity-level metrics are used to allocate the net expenditures of each cost pool. Additionally, fluctuations in the activity-level metrics do not lead to corresponding fluctuations in the size of the cost pools.

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Central Funding Mechanism

One of the most critical elements of an incentive-based budget model is the creation of a pool of resources to address unit-level subsidies, university priorities, revenue growth strategies, and other strategic initiatives.

Central Funding Mechanism Overview	
Rationale	▪ The sum of the parts is not optimal for the whole therefore the university needs the ability and flexibility to act as one entity with respect to key initiatives
Funding Source	▪ Central funds are centrally retained and/or generated revenues purposed for mission and strategic investment
Fund Principles	▪ The Strategic Initiative Pool can be a useful management tool to **help fund long-term initiatives** by advancing capital, provide critical subsidies to kick-start initiatives ▪ **Funding size should enable leadership to "steer,"** which will ultimately benefit the university mission as a whole ▪ Funds provided to any unit **should never be viewed as an annual entitlement** only as a way to kick-start initiatives ▪ The model uses a participation fee to generate the central fund, applying a participation rate to selected revenues. Having a **diverse revenue portfolio rather than a single source allows for stability** ▪ Participation fees need to ensure "neutral starting points" at implementation; thus the **rate needs to be high enough to ensure surpluses are available to fill all Revenue Unit deficits**

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Participation Fee

The central funding mechanism is generated by collecting a percentage of select unrestricted revenues from the primary units. The table below lists what revenues are assessed the participation fee, which as been set at 18% based on FY18 actuals.

Revenue Line Item	Participation Fee Assessed?
Undergraduate Tuition	Yes
Graduate Tuition	Yes
Online Tuition	Yes
Program & Course Fees	Yes
Other Student Fees	Yes
Undergraduate Aid (Contra)	Yes
Graduate Aid (Contra)	Yes
State Appropriations	Yes
Grants & Contracts	No
Indirect Cost Recovery (IDC) Revenue	Yes
Gifts	No
Sales, Services, & Other	Yes

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Variable Timing

The new budget model methodology uses activity-based variables to allocate revenues and expenditures. The table below depicts the timing of variables that will be used.

Model Component	Dollars Used in Live Model	Allocation or Calculation Dependent Variable(s)	Variable Timing
Tuition and Fees	Real-time Revenues	Credit Hours Instructed Credit Hours Record	One Year in Arrears (will be 2 years in arrears by imp.)
Appropriations	Real-time Revenues	CH Completed Degrees Awarded Sponsored Program Revenue	One Year in Arrears (will be 2 years in arrears by imp.)
Support Unit Allocations	Budgeted Expenses (with contingency)	Direct Expenses, Headcount/FTE Grants and Contracts Revenue Net Assignable Square Footage	One Year in Arrears (will be 2 years in arrears by imp.)
Central Funding Mechanism	Budgeted Revenues	Select Unrestricted Budget Revenues	Budgeted Revenues

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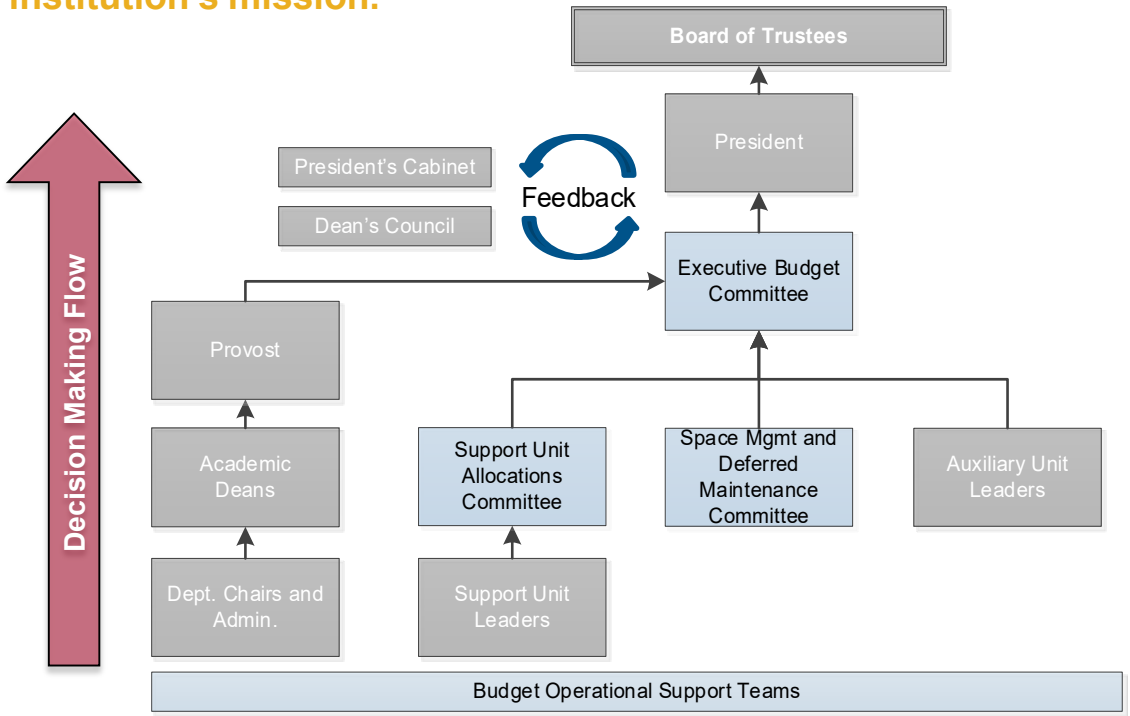
BUDGET MODEL GOVERNANCE AND PROCESS

Budget Process Governance Overview

In the annual budgeting process, central leadership, primary units, support units, and governance committees will work in close coordination to optimize the use of BSU's resources to advance the institution's mission.



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Note: Auxiliary Unit VP's will present their budgets to the Executive Budget Committee, Academic Unit Deans will present their budgets to the Provost, and Support Unit VP's will present their budgets to the Support Unit Allocation Committee

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Executive Budget Committee

Ball State will have an Executive Budget Committee that recommends a university-wide budget, including subvention fund allocations, to the President and the Board of Trustees.

Roles and Charges

- **Reviews support unit budget proposals** recommended by the Support Unit Allocation Committee
- Addresses funding decisions not made by the Support Unit Allocation Committee to **recommend a unified support unit budget**
- **Reviews executive summary of primary unit financial plans**, including strategic fund requests, from budget hearings
- **Recommends a university-wide budget to the President**

Membership

- **President (Chair) (Geoffrey Mearns)**
- Provost and Executive Vice President for Academic Affairs (Susana Rivera-Mills)
- Chief Strategy Officer (Sue Hodges Moore)
- VP for Business Affairs and Treasurer (Alan Finn)
- AVP and Chief Budget Officer (Scott Stachler)

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Support Unit Allocation Committee

The Support Unit Allocation Committee would meet between November and January with support unit leadership to review budget proposals and promote service effectiveness and efficiency.

Roles and Charges

- **Reviews support unit's budget proposals,** including strategic objectives, service level demands, and workforce plans
- **Offers suggestions for performance improvement**; promotes development of service level agreements between primary units and select support units
- **Submits an executive summary of support unit budget** recommendations to the Executive Budget Committee
- **Elevates support unit budgets that have unresolved issues**, to the Executive Budget Committee

Membership

- **VP for Business Affairs and Treasurer (Alan Finn) (Chair) / Chief Strategy Officer (Sue Hodges Moore) (Interim-Co-Chair)**
- Associate VP and Chief Budget Officer (Scott Stachler)
- Provost Designee (Stacey Shears, Director of Finance and Budgets)
- 2 College Deans (or designees) (Maureen McCarthy, Dean, CSH & Paaige Turner, Dean, CCIM)
- 2 Central Unit Representatives (Rose Costello, Associate Vice President for Human Resources & Loren Malm, VP for Information Technology and Chief Information Officer)
- Athletics (Beth Goetz, Director, Intercollegiate Athletics)
- Faculty University Senate Chair[1] (Tarek Mahfouz, Associate Dean, CAP, and Chair, University Senate)
- Staff Council Designee (Ranae Burkett, Administrative Coordinator, School of Music)
- University Council Designee (Tiffany Peters, Assistant Dean of Students)
- Associate VP Institutional Research and Decision Support (Sonia Schaible-Brandon)

Note 1: In the event the University Senate Chair is not a faculty member, a faculty member will be identified to represent the University Senate.

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Space Management and Deferred Maintenance Committee

Roles and Charges

- **Reviews space requests**, identifies possible solutions, and makes recommendations for the use of space on campus
- **Develops policies and procedures** for space management
- Governs **allocation and brokerage** of space across campus
- Ensures facilities management distributes accurate and timely space **utilization data** to operating units for budget planning
- Supports **development of service level agreements** between facilities management and revenue-generating units
- **Prioritizes deferred maintenance needs and submits** deferred maintenance budget that includes request amount and list of deferred maintenance projects

Membership

- **Associate VP, Facilities Planning and Management (Chair) (Jim Lowe)**
- Capital Finance Representative (Dan Garreth, Director, Capital Finance and Financial Systems)
- Director, Disability Services (Courtney Jarrett)
- Student Affairs Representative (Alan Hargrave, Associate Vice President for Student Affairs and Director of Housing and Residence Life)
- Provost Office Representative (Steve Reed, Director of Academic Systems and ERP Coordinator)
- Auxiliaries Representative (Julie Hopwood, Associate Vice President for Business and Auxiliary Services)
- College Dean (Dave Ferguson, Dean, R. Wayne Estopinal College of Architecture and Planning)
- Faculty Council Designee (Ben Gibbs, Assistant Professor, Criminal Justice and Criminology)
- Department Chair Representative (Sharon Bowman, Professor and Department Chair, Counseling Psychology, Social Psychology, and Counseling

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Proposed Operation Support Teams

In addition to the budget management structure, the following operational support teams will be established to facilitate the budget development process.

Analysis and Reporting

- Collect feedback on reporting outputs
- Respond to feedback through revised reporting
- Support scenario planning conducted by units

Membership:

- Budget Office
- Institutional Research and Decision Support (working with MIDAS)

Budget Development

- Develop and execute sub-processes for completing model development milestones
- Communicate budget development timelines and guidelines to units

Membership:

- Budget Office
- Provost Office Designee
- Institutional Research and Decision Support
- Space Planning

Training

- Respond to training requests through content development and delivery
- Assess skills needs across different stakeholder groups
- Develop training schedule and feedback forum

Membership:

- AVP Budget Designee
- Controller's Office Designee
- IT Designee
- Provost Designee
- HR Designee

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Annual Budget Process Overview

The table below outlines the proposed budget development process milestones and the groups with primary accountability and responsibility for their completion.

Model Development Component	A Collect Data & Develop Assumptions	B Develop Support Unit Budget Requests / Cost Allocations	C Develop Primary Unit Budget Requests[1]	D Finalize Funding Decisions	E Manage Budget Throughout Fiscal Year
Process Timing	September 1st – October 31st	November 1st – January 15th	January 16th – April 30th	May 1st – June 30th	July 1st – June 30th
Primary Objective	Forecast and allocate University revenues; collect allocation variable data	Review central support budgets and convert to allocable costs	Collect funding requests from academic and auxiliary units	Review funding requests and set University budget	Manage budget based on updated forecasts and data
Process Participants	Budget Office / Provost's Office & Operational Support Teams, Academic Units	Governance Committees, Budget Office / Provost's Office & Operational Support Teams, Support Units	Executive Budget Committee, Budget Office / Provost's Office & Operational Support Teams, Deans, Auxiliary Units	BOT, Executive Budget Committee, All Units	Budget Office / Provost's Office & Operational Support Teams

Note 1: Budget process for academic units begins in Fall

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Support Unit Budget Process

The budget development process for central support units under the new model can be divided into four milestones:

Develop Financial Plan	Present Financial Plan	Committee Makes Recommendations	Leadership Makes Funding Decisions
• Central Support Units work with their respective departments to develop one cohesive financial plan • Plans should highlight changes relative to prior year funding levels and document support for requested changes	• Units will present their financial plans to the Support Unit Allocations Committee • Presentations will cover services and costs for each presenting unit, focusing on changes relative to the prior year's budget	• The Support Unit Allocations Committee will recommend funding levels for central units to the Executive Budget Committee • The Executive Budget Committee will review and make initial funding proposals for use in building Primary Unit budgets	• The Board of Trustees will review the university-wide budget and make final funding decisions • Funding decisions will be converted into indirect cost allocations for the colleges

This process is intended to increase transparency surrounding the services provided by central units and their attendant costs.

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Strategic Initiative Funding Process

The process for requesting strategic initiative funds will run in parallel with the annual budget process previously illustrated.

October	October - March	April	May
Distribute Guidelines	**Develop Case**	**Present Case**	**Communicate Funding Decisions**
The Budget Office and Executive Budget Committee will distribute criteria guidelines for requesting strategic initiative funding	Deans and VPs will develop business cases for strategic initiative funding, incorporating feedback from department chairs and unit directors	All units will present their business cases for strategic initiative funding	Through a transparent process, funding decisions and rationale behind strategic initiative funding disbursements will be communicated

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Next Steps

- Continue to communicate new model with key stakeholders
- Communicate new budget model governance and process to University leadership
- Launch new budget model governance committees
- Build templates and issue budget call letter to launch new process
- Acquire and implement budget and planning tools

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QUESTIONS?

APPENDIX:
ADD'L PROCESS DETAILS

Outstanding Questions

To further define the budget development process under the new model, the Support Unit Allocations Committee must address the following:

Develop Financial Plan	Present Financial Plan	Committee Makes Recommendations	Leadership Makes Funding Decisions
• How do you define a "unit"? • How many "financial plans" will the Support Units Allocations Committee review? • What cost centers will be included in each plan? • What role will Service Level Agreements have in each unit's financial plans? • Do all units need one?	• What content should be presented to the Support Unit Allocations Committee? • Should all units be reviewed in-depth each year, or should there be a rotation of some units receiving more analysis than others to be able to afford a more in-depth review?	• What will be the review process after central units present their financial plans? • What guidance will the committee need from the Budget Office? • How will recommendations be communicated to executive leadership?	• How does the Executive Budget Committee want to see recommendations?

The following slides are related to Huron's experience working with other institutions, and are intended to provide context on available options.

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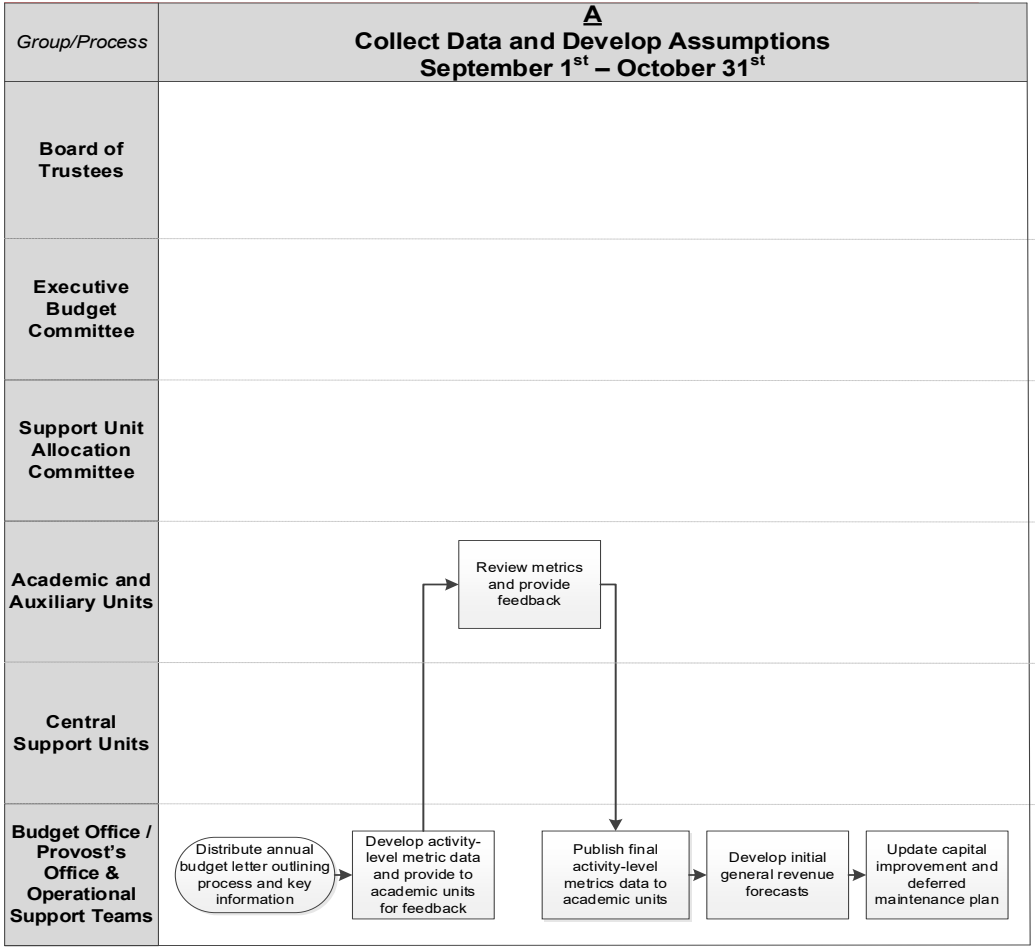
A B C D E

Collect Data & Develop Assumptions

- The budget process kicks off with the distribution of the Annual Budget Letter, which contains a high-level summary of the budget environment, key dates, etc.
- The Budget Office will compile the allocation metrics, which will be reviewed by the academic units
- The Budget Office will forecast University-wide revenue & fixed cost assumptions (tuition, appropriations, etc.) as well as multiple revenue scenarios
- A capital committee will be appointed by the Executive Budget Committee every two years that will update the capital improvement plan. The deferred maintenance plan will be updated annually by the Space Management and Deferred Maintenance Committee



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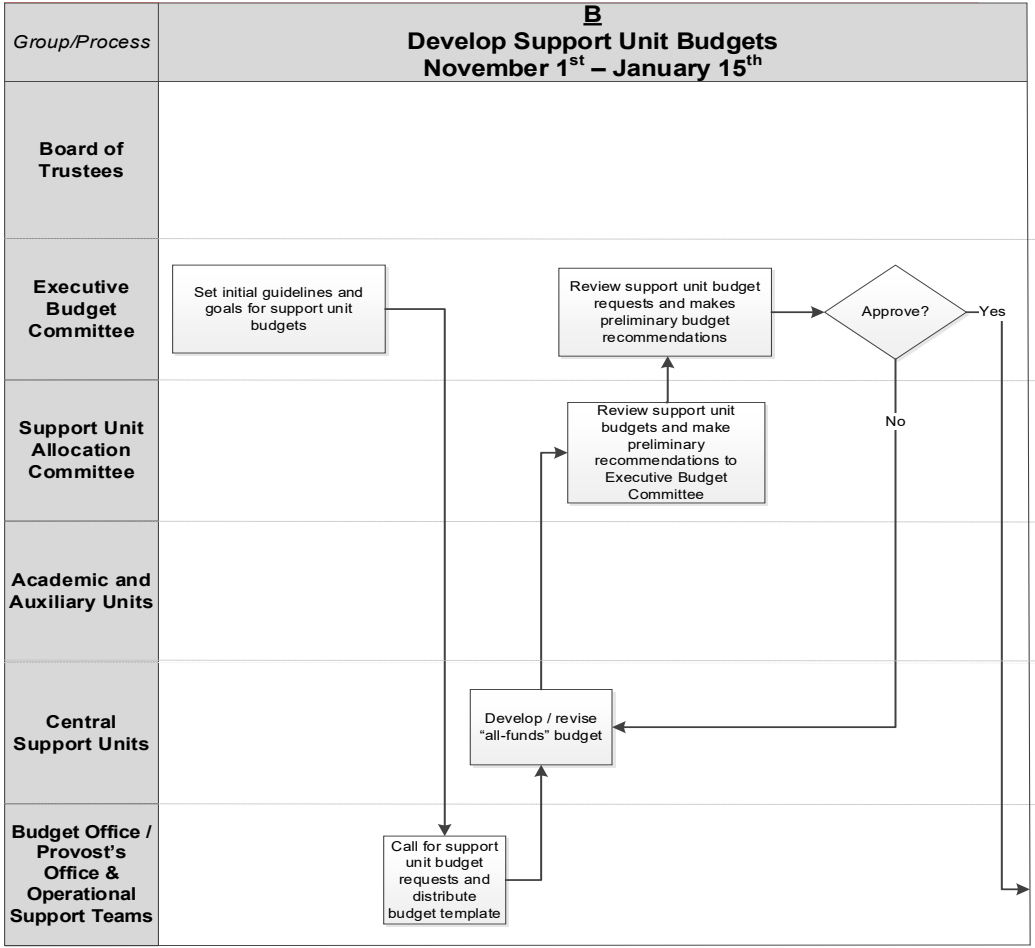
A B C D E

Develop Support Unit Budgets

- The Executive Budget Committee will set and communicate guidelines and goals for support unit budgets
- Central support units will develop and present budget requests to the Support Unit Allocations Committee, highlighting the services provided and costs
- The Support Unit Allocations Committee will recommend funding levels (relative to prior year) to the Executive Budget Committee, which will then make *preliminary* budgetary decisions
- Based on funding decisions, support units will make budget adjustments as needed



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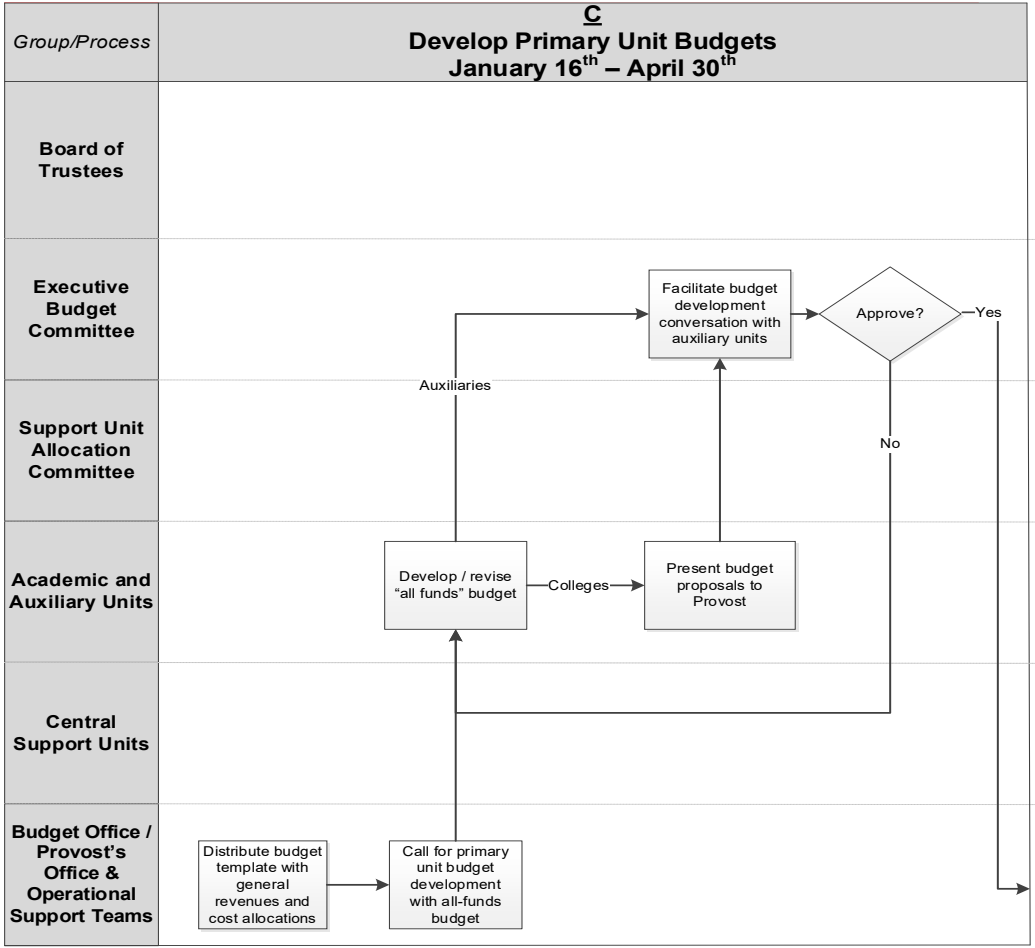
A B C D E

Develop Primary Unit Budgets

- Once the support cost allocations have been distributed, academic units will receive templates with their formula-allocated revenues and indirect cost allocations pre-populated
- Units will develop “all funds” budget requests by populating the template with direct revenues, direct expenses, and subvention fund requests, explaining the rationale for changes from the prior year
- Academic units will present their budgets to the Provost for consideration, while the auxiliary units will present their budgets directly to the Executive Budget Committee
- Based on *preliminary* funding decisions, academic and auxiliary units will make budget adjustments as needed



Note 1: Auxiliary Unit VP’s will present their budgets to the Executive Budget Committee, Academic Unit Deans will present their budgets to the Provost, and Support Unit VP’s will present their budgets to the Support Unit Allocation Committee

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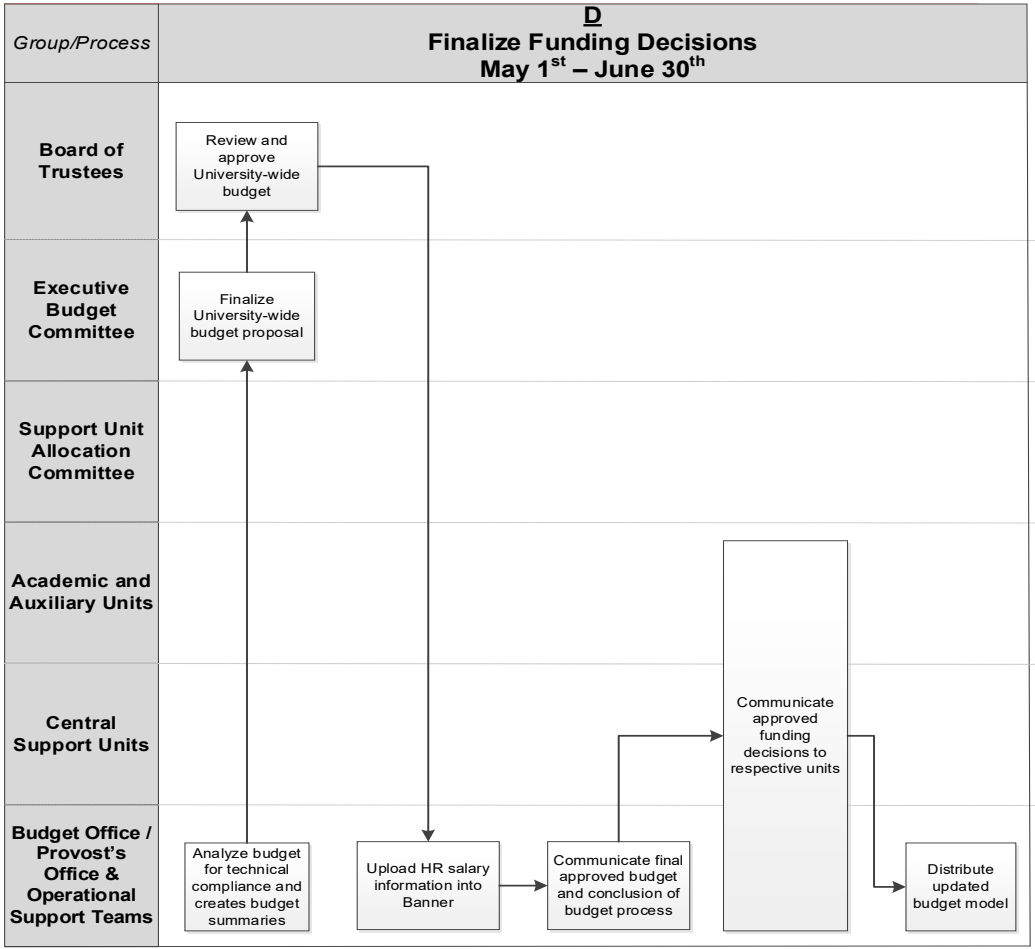
A B C D E

Finalize Funding Decisions

- Once initial funding decisions have been made, the Budget Office will assess the budget for technical compliance and create budget summaries
- The Executive Budget Committee will finalize the University-wide budget proposal
- The Board of Trustees will approve the University-wide budget recommended by the Executive Budget Committee
- The Budget Office will input all HR salary information into Banner, then communicate final funding decisions across the University and distribute an updated budget model



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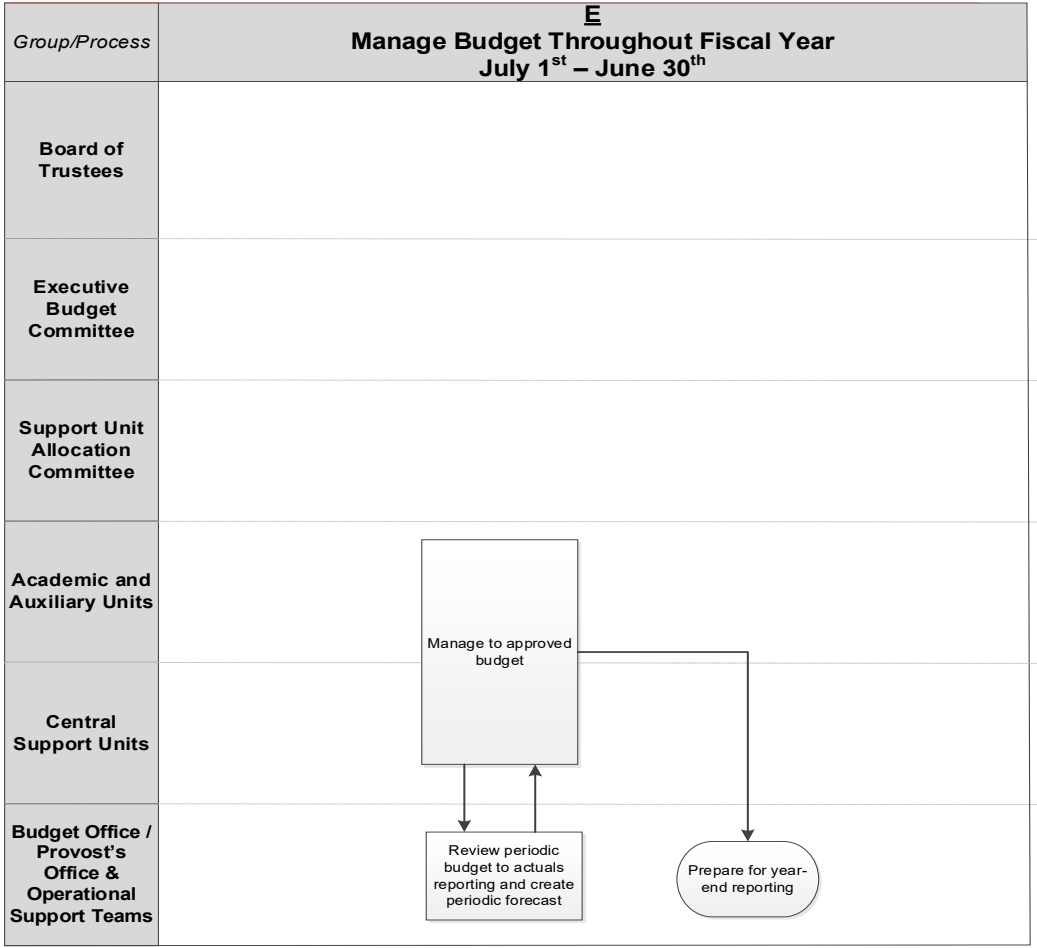
A B C D E

Manage Budget Throughout Fiscal Year

- Academic, Auxiliary, and support units will be expected to manage within approved budgets
- Updates will be made to the University budget throughout the year as better information for forecasts (e.g., enrollment) becomes available
- Updates to forecasts will be reflected in revised allocations (e.g., If enrollment is lower than forecasted, allocated tuition will have to decrease) and subsequent budget adjustments may be necessary
- At the end of the fiscal year the Budget Office will prepare for year-end reporting



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THANK YOU

Submit your questions and comments to newbudget@bsu.edu