Incentive Based Budget Model
Faculty Council
11/04/2021
1. How does this budget model compare to our previous model, and what is the goal of this new budget model? New budgets are not easy, but based on the information you have right now, what are you hoping this budget model will allow you to do better, or inform you more effectively, than the prior model?

2. Can you give faculty an idea of the guidance unit heads being given from the university administration about allocating funds within their units?

3. Once the money has flowed into the unit according to the 75/25 rule, what is the basis for funds allocation? What parameters or data will guide decision making process?

4. Are the decision-making processes about allocating funds standard from one unit to the next, and if not, how and why do they differ? Or, at what level, do the guidelines begin to allow for individualization between units? How does this work at the level of the class? For example, would a class of 10 out-of-state majors be more profitable than a 60 student class of in-state non-majors?

5. Who will evaluate our unit’s progress under this model? Will those data points and rationales be shared with the faculty?
Goal 5: INSTITUTIONAL AND INCLUSIVE EXCELLENCE

K. Our incentive-based budget model aligns our financial resources with our strategic priorities and encourages innovation and effective resource management.
Steering Committee Membership

The University established a Steering Committee to provide guidance for the initiative, to review project status reports, and to validate the opportunities presented.

+ Susana Rivera-Mills, Provost and Executive Vice President, Academic Affairs (Co-Chair)
+ Sue Hodges Moore, Chief Strategy Officer, Office of the President (Co-Chair)
+ Bernie Hannon, Vice President and Treasurer, Business Affairs
+ Bill Jenkins, Chairperson, Department of Theatre and Dance (Dean Designee for CFA)
+ David McIntosh, Chairperson, Department of Special Education (Dean Designee for TC)
+ Hank Gerhart, Statistical Data and Asset Control Specialist, University Libraries (Staff Council Rep.)
+ Jennifer Christman, Lecturer, Criminal Justice and Criminology (Faculty Council Rep.)
+ Jim Lowe, Associate Vice President, Facilities Planning and Management (University Council Rep.)
+ Kay Bales, Vice President, Student Affairs and Enrollment Services
+ Loren Malm, Interim Vice President, Information Technology
+ Manoj Athavale, Interim Associate Dean, Miller College of Business (Dean Designee for MCOB)
+ Maureen McCarthy, Dean, College of Sciences and Humanities
+ Mitch Whaley, Dean, College of Health
+ Paaige Turner, Dean, College of Communication, Information, and Media
+ Scott Stachler, Interim Associate VP for Budgets, Finance and Assistant Treasurer
+ Tarek Mahfouz, Interim Associate Dean, College of Architecture and Planning (Dean Designee for CAP)
Guiding Principles

The Steering Committee developed and confirmed a set of guiding principles to be used to inform decisions surrounding the development of the new budget model.

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
How does this budget model compare to our previous model

<table>
<thead>
<tr>
<th>Traditional Budgeting</th>
<th>Strategic Budgeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ <strong>Inventory</strong> of anticipated expenditures</td>
<td>▪ <strong>Plan</strong> for developing resources</td>
</tr>
<tr>
<td>▪ Mechanism to <strong>control</strong> expenditures</td>
<td>▪ <strong>Prioritization</strong> of resource allocations for strategic initiatives</td>
</tr>
<tr>
<td>▪ <strong>Independent activity</strong> performed by department managers</td>
<td>▪ <strong>Explanation</strong> of the internal economy</td>
</tr>
<tr>
<td>▪ <strong>Backroom operation</strong> performed by accountants</td>
<td>▪ Mechanism to create institutional <strong>incentives</strong></td>
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<td>▪ <strong>Spreadsheet</strong> indicating resource availability</td>
<td>▪ Tool to empower departments to engage in <strong>entrepreneurial</strong> activities</td>
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<td>▪ Performance measures that <strong>reset annually</strong></td>
<td>▪ <strong>Predictor</strong> of annual financial statements</td>
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<td>▪ Baseline measure of <strong>accountability</strong></td>
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Model’s Impact On Decision-Making

The Incentive-based model has the potential to materially transform BSU over a 5-10 year period as we change the culture of decision-making.

President’s Cabinet
Remove luxury of “all things to all people” by forcing difficult decisions

President, Provost, and VP for Business Affairs
Force clarity regarding priorities and strategic initiatives

Deans
Know the full-cost of activities and prioritize them through cross-subsidies between revenue generating activities and mission-driven activities

Administrative Units
Connect service levels and resource levels

Department Chairs and Faculty Members
See how activities drive funding for their respective units
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.

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.
## Budget Model

### Fund Types / Restriction

<table>
<thead>
<tr>
<th>Category</th>
<th>Primary Unit</th>
<th>Support Unit</th>
<th>Support/Central Unit Allocations</th>
<th>Central Funding Mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total Undergraduate Tuition</td>
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<tr>
<td>Total Graduate Tuition</td>
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<tr>
<td>Total Online Tuition</td>
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<tr>
<td>Total Other Revenues</td>
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</tbody>
</table>

### Allocable and Direct Revenues

#### Direct Expenditures

- Faculty - Contract Wages
- Faculty - Professional Wages
- Staff Wages
- Benefits

### Unit Organization

- Support/Central Unit Allocations
- Central Funding Mechanism
More Information available at:

www.bsu.edu/budget