Financial Administrator Development Series
Budget Administration

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Brent Johnston
Office of Planning and Budgets
What is your profession?

- Financial Control
- Planning
- Innovation
- Management
- Building Value
Spartans Will.

Over Arching Values
- Quality
- Inclusion
- Connectivity

Boldness By Design
- Enhance student experience
- Enrich community, economic and family life
- Expand international reach
- Increase research opportunities
- Strengthen stewardship
Building Excellence

- Undergraduate education
- Sustaining plant science successes
- Expansion of engineering disciplines including biomedical engineering
- Computational sciences emphasizing existing strengths in biology
- Food safety
- Population and community health
- Environment
  - Food
  - Water
  - Energy
- Molecular and genetic techniques across plants, animals and people
- Facilities, infrastructure, and technology
Financial Control – A Beginning

- Assure consistency between planning and financial outcomes
- Continued refinement of institutional information systems
- Deployment of OOI and additional financial control elements- sub-org, sub-account
- Decentralization of fringe benefits
- Improving budgetary systems and processes to reduce redundancy, consistency, and planning certainty
- Development of dashboard and all-funds perspectives
Conceptual Framework

Scarce Resources
Competing Priorities
Conceptual Framework

Reporting
Feedback
Modifications
Conceptual Framework

Budget Equation

*Basis for allocation of resources to A over B*
Conceptual Framework

Dimensions

Control—historical, management – ratio analysis – programmatic outcomes/impact
Conceptual Framework

Practice

Incremental, zero-based, responsibility based, modified/customized
Performnce Metrics and Reporting

- Metrics organized around *Bolder by Design* to support strategic direction of the institution
- Provides ongoing insight into programmatic/initiative progress and improvement
- Consistent goals and accountability measures in order to appropriately assess performance
Performance Metrics and Reporting

Enhance the Student Experience

**Admissions Ratios**
- GPA
- ACT
- Academic Standing
- Admit %
- Yield %

**Entering Class Demographics**
- Resident
- Domestic N/R
- International
- Ethnicity
- Gender

**Affordability**
- Tuition and fee rates
- Scholarships/Discounting
- Value and return
- Student indebtedness

**Academic Quality**
- Class size
- Grad rate
- Persistence rate
- Value added grads
- Degree production
- Rankings
- Student experience
Performance Metrics and Reporting

*Enrich Community, Economic, Family Life*

**Outreach & Engagement**
- Benefits/Impacts from engagement
- Primary forms of engagement
- Number of contacts annually
- Service learning & civic engagement

**Economic Impact**
- Total grants per faculty member
- Total awards
- NSH (HERD) rankings
- Distribution of federal funds
Performance Metrics and Reporting

Expand International Reach

External Rankings
- U.S. News and World Report
- Prominent International rankings
- CIC Comparison
- AAU Comparison

International Programs
- Study abroad participation
- Research with international components
- International student compliment
- International faculty
Performance Metrics and Reporting

*Increase Research Opportunities*

**Faculty Composition**
- Faculty demographics
- Compensation standing
- National Academy members
- Number of assistantships
- Assistantship compensation

**Internal Research Metrics**
- Research $ per faculty member
- Research lab s/f per faculty member
- Expenditures per lab s/f

**External Metrics**
- NSF (HERD) ranking, change
- AAU research performance
- ARL ranking
- Patents/Licenses
- Start-up companies
Performance Metrics and Reporting

Strengthen Stewardship

**Financial Indicators**
- Composite financial index
- Revenue/expense distributions
- Admin spending per student
- Resources per student
- Bond rating

**Energy and Utilities**
- Total unit cost
- Mix of fuels
- Construction standards
- Sustainability/conservation

**Advancement/Endowment**
- Annual giving
- Alumni giving rate
- Endowment growth
- Investment performance

**Staffing**
- Staffing compliments
- Students per administrative position
- Maintenance, grounds staffing
Dimensions & Practice

<table>
<thead>
<tr>
<th>Operating Units</th>
<th>Separately Reviewed Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formula based on budget proposal</td>
<td>• Financial aid</td>
</tr>
<tr>
<td>• Salary increments</td>
<td>• Utilities</td>
</tr>
<tr>
<td>• Operating support</td>
<td>• Health care</td>
</tr>
<tr>
<td>• 1% reallocation</td>
<td>• Other benefits</td>
</tr>
<tr>
<td>Differential</td>
<td>• Financial framework</td>
</tr>
<tr>
<td>• Program allocations</td>
<td></td>
</tr>
<tr>
<td>• Reductions</td>
<td></td>
</tr>
</tbody>
</table>

*All funds analysis shared at unit/central level*
Budget Equation-Values Driven

• Continuing discussion: Board of Trustees, President, Provost, Deans, Governance, Community

• Fall--Strategic Planning
  • Major challenges/opportunities (e.g., intellectual, educational, research, outreach) facing the unit
  • Goals, outcomes or benefits anticipated, and contribution to BbD?
  • Supports sustainable programmatic visions that are dynamic and responsive
  • Identify requests that align with priorities, build unique advantage, and add value
  • Build internal and external alliances
  • Use metrics to demonstrate results and accountability with clear outcomes and impacts
  • Investment from multiple sources; both internal and central
  • Reward high performing units and address non-performing and lower-priority areas
Budget Equation-Values Driven

• **Spring-Internal Budget Issues**
  • Solidify programmatic plans including reductions
  • Problem/opportunity addressed (current baseline metrics)
  • What will be done
  • Accountability: outcomes and milestones related to college and BbD metrics
  • Continue integration of college and university priorities
  • Continue progress on Boldness by Design initiatives and links requests with strategic directions outlined in the fall
  • State economic condition indicates a period of flat resource growth
  • Most investments come from reallocated funds from elsewhere in the institution
  • Seek multiple strategies for achieving goals
Planning and Budget Process

MSU Planning and Budget Process

Budget Reports, Data Metrics (PPS), Capital Outlay
Sept-Oct

State Reporting, State Budget Request, Functional Budgets
Oct-Nov

Budget and Raise Processing, Carry Forwards
July-Sept

Budget Profiles, Salary Studies, Planning Meetings
Nov-Jan

Budget Meetings, Budget Guidelines, Allocations
May-June

Budget Model, Budget and Raise Calendar, Executive Budget
Jan-Feb

Faculty Salaries (AAUP), RBI, OCCI, RFA, Tuition Policy
Mar-April

FPSM Requests, College Budget Materials, Program Fees
Feb-Mar
Allocations and Budgeting

- Base Budget Reconciliation
- Salary and Wage Allocation
- Revenue Based Initiatives
- Off Campus Credit Instruction
- Research Facilitation Allocation
- Program Allocations
- Budget Profiles
  Fringe Benefits, Utilities, etc.
- Salary Distribution
  (Committed Salaries and Wages)

Budget Guidelines

- Appropriations, Tuition and Fees, Other Revenues Projection

Budget Allocation

- Budget Control Numbers
- Unit Budget Planning

Cognos BI Report and Query Studio

Budget Load in Financial System
Data Source for Numerous Reports

Budget and Salary Data

- All Funds Array Reports
- Higher Education Reporting
- Functional Budget Report
- PPS
General Fund Revenue Projection Algorithm

- State Appropriations
- Tuition and Fees
- Research Facilitation Pass-Through
- Investment and Other Income
- Revenue Based Initiative Pass-Through
General Fund Allocation Projection Algorithm

Allocation for Projected Expenditures

- Employee Compensation
- Supplies and Services
- Utilities
- Financial Aid
- Debt Service
- Benefits
- General University Operations
- Pass-Through Funds (RBI and RFA)
- 1% Program Efficiency and Reinvestment Fund (PERF)
Risks

- Increasing competitive pressure for acclaimed faculty and staff
- Fragile reputational rankings necessitate simultaneous investments in undergraduate, graduate, and research priorities
- MSU increasingly competitive for federal support. However, possible reductions to research and financial aid exist
- Potential threats to enrollment targets and composition
- Sustain value proposition for students and stakeholders
Higher Education Outlook

• Standard high education model unsustainable

• New models must transcend imitation of peers

• Reflect both concern for long-term stability and new innovative thinking

• Future concern: how do department/colleges work together to continue innovations with new sources of income
Federal Budget Issues
Increasing pressure on “discretionary” resources

**Total Federal Budget Sources: $3.7T**
- Income Taxes, $1,196, 32%
- Corporate Taxes, $333, 9%
- Borrowing, $1,033, 28%
- Social Insurance and Retirement (Payroll Taxes), $914, 25%
- Net Interest, $242, 7%
- Other Taxes (excise, gas, estate, etc), $218, 6%

**Total Federal Budget Uses: $3.7T**
- Social Security, $761, 20%
- Medicare, $485, 13%
- Medicaid, $269, 7%
- Other Mandatory, $625, 17%
- Nondefense R&D, $69, 2%
- Defense Discretionary, $647, 17%
- Nondefense Discretionary, $542, 15%
- [Defense R&D], $83, 2%
- Net Interest, $242, 7%
- Other Taxes (excise, gas, estate, etc), $218, 6%
- Income Taxes, $1,196, 32%
- Corporate Taxes, $333, 9%
- Borrowing, $1,033, 28%
MSU benchmarks resident enrollment at 5% of the Michigan high school graduating class. In 2012-13 there were 98,300 public high school graduates and in 2013-14 MSU enrolled 5,622 from Michigan in the entering class, or 5.7% of the total.
The above reflects the estimated distribution of Michigan high school graduates by ACT performance level. The highest performance level is positioned at the base of the graph and progressively diminishes moving to the top.
# Financial Framework

<table>
<thead>
<tr>
<th>Item</th>
<th>Funding</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Competitiveness &amp; Research</td>
<td>$7.8M FY16</td>
<td>Unfunded need of $20-$25M over ten years to advance status as top-100 institution; increasing competition for federal funds</td>
</tr>
<tr>
<td>Computing</td>
<td>$3.6M R, $16-$20M NR</td>
<td>Sustain IT infrastructure - $3.6M recurring support, hardware needs; one time requirements of approximately $7.2M for security upgrades, hardware/software, and network augmentation estimate of $9M-$11M Student information system – preliminary review</td>
</tr>
<tr>
<td></td>
<td>$7.5M R, $70M NR</td>
<td></td>
</tr>
<tr>
<td>Critical Space</td>
<td>Variable Pay-as-you-go v. debt</td>
<td>$200-$300M in necessary facilities upgrades</td>
</tr>
<tr>
<td>Power and Utilities</td>
<td>Appx $100M NR</td>
<td>Provide reliable power and satisfy renewable energy goals</td>
</tr>
<tr>
<td>Deferred Maintenance-Just-in-Time</td>
<td>$300-$500M NR</td>
<td>5 year projection includes HVAC replacements, need to prioritize projects and define scope</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>&gt;$20M R</td>
<td>Address through donor-supported scholarships</td>
</tr>
<tr>
<td>Health Care</td>
<td>To be determined</td>
<td>Monitor ACA impact, limit institutional cost growth to 5%</td>
</tr>
</tbody>
</table>
# Budget Equation – Budget Overview

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>2014-15 Adjusted</th>
<th>2015-16 Planning Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>5.90%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Tuition &amp; Fees</td>
<td>2.6% Lower Div</td>
<td>4.0% Lower Div</td>
</tr>
<tr>
<td></td>
<td>2.9% Upper Div</td>
<td>4.0% Upper Div</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>4.00%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Graduate Assistants</td>
<td>1.50%</td>
<td>1.50%</td>
</tr>
<tr>
<td>Faculty Salaries*</td>
<td>2.0% + 0.5% + 0.5%</td>
<td>2.0% + 0.5% + 0.5%</td>
</tr>
<tr>
<td>Utilities</td>
<td>4.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Health Care</td>
<td>3.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$1,195.70</td>
<td>$1,249.00</td>
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**Academic Competitiveness**

<table>
<thead>
<tr>
<th></th>
<th>2014-15</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>College</td>
<td>$3.00</td>
<td>$1.50</td>
</tr>
<tr>
<td>Central</td>
<td>$8.70</td>
<td>$6.30</td>
</tr>
<tr>
<td><strong>Total Budget</strong></td>
<td>$1,207.40</td>
<td>$1,256.80</td>
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</tbody>
</table>

*Includes 2.0% general merit, 0.5% college market, and 0.5% Provost market pool for October 1 implementation
## Budget Model Example

<table>
<thead>
<tr>
<th>INCOME</th>
<th>2014-15</th>
<th>2015-16</th>
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<tbody>
<tr>
<td>Appropriations</td>
<td>264.4</td>
<td>275.0</td>
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<tr>
<td>Tuition and Fees</td>
<td>850.9</td>
<td>850.9</td>
</tr>
<tr>
<td>Undergrad</td>
<td>31.2</td>
<td></td>
</tr>
<tr>
<td>Grad</td>
<td>8.4</td>
<td></td>
</tr>
<tr>
<td>New NR Student Enr</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>890.4</td>
<td></td>
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<tr>
<td>Other Revenue</td>
<td>92.1</td>
<td>91.4</td>
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</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>2014-15</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Aid</td>
<td>120.2</td>
<td>125.6</td>
</tr>
<tr>
<td>Salaries</td>
<td>632.5</td>
<td>652.2</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>76.9</td>
<td>80.7</td>
</tr>
<tr>
<td>Other Benefits</td>
<td>101.9</td>
<td>105.0</td>
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<tr>
<td>Utilities</td>
<td>59.8</td>
<td>62.2</td>
</tr>
<tr>
<td>Supplies/Services</td>
<td>107.2</td>
<td>109.4</td>
</tr>
<tr>
<td>Operations</td>
<td>108.8</td>
<td>113.2</td>
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<tr>
<td>Framework</td>
<td>8.1</td>
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<tr>
<td>Res Fac Passthrough</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Revenue-Based Initiatives</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,207.4</td>
<td>1,256.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation</td>
<td>4.0%</td>
<td></td>
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<tr>
<td>Lower Division</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergrad</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Grad</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Domestic-Nres</td>
<td>3.6%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Intnl NR</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td>Other Revenue - ICR</td>
<td>3.0%</td>
<td></td>
</tr>
<tr>
<td>Ranked Faculty</td>
<td>2.5%</td>
<td></td>
</tr>
<tr>
<td>Academic Staff</td>
<td>2.5%</td>
<td></td>
</tr>
<tr>
<td>Faculty Markets</td>
<td>0.5%</td>
<td></td>
</tr>
<tr>
<td>GA's</td>
<td>1.5%</td>
<td></td>
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<tr>
<td>Coalition-Trailing Cohort (APSA, APA)</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>Coalition-Leading Cohort (Labor groups, CTU)</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>Student Labor</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td>Financial Aid</td>
<td>4.5%</td>
<td></td>
</tr>
<tr>
<td>Health-Faculty &amp; Academic Staff</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>Health-Coalition</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>Other Benefits-Faculty &amp; Academic Staff</td>
<td>3.0%</td>
<td></td>
</tr>
<tr>
<td>Other Benefits-Coalition</td>
<td>3.0%</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td>Central University Items</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td>Supplies/Services</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,207.4</td>
<td>1,256.8</td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>(0.0)</td>
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</tr>
<tr>
<td>Budget Change</td>
<td>4.1%</td>
<td></td>
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</tbody>
</table>

Does not include 1% efficiency factor
Budget Model Example

- Operating Expenses
- Framework
- Total Revenue
- 2% Appropriation Increase
- 4% Appropriation Increase

Graph showing revenue from 2014-15 to 2023-24 with different line trends indicating growth over the years.
A Culture of Change Necessary

Sir Ken Robinson - Bring on the Learning Revolution!
Emergence of New Higher Education Revenue Model

- Increase prominence of development

- Research expenditures funded by grants and contracts

- Educational programming balanced by level, discipline, cost structure

- Focus on efficiency and effectiveness of support activities