Report from The Strategic Goals and Planning Working Group on Budget

Completed June 1, 2016

President Mahony formed the Budget Model Working Group (The Group) as part of Winthrop University's strategic planning process. This working group was charged to research and ultimately suggest a budget model for Winthrop University. The Group committee members represented a broad spectrum of campus units, time at Winthrop, diversity of non-Winthrop experiences, budget knowledge, and other characteristics. This diversity was valuable in that it brought into consideration multiple aspects of the budget process.

Group Charge & Process

The Group was charged with identifying possible budget models, evaluating their feasibility at Winthrop University, being cognizant of the plans coming forward regarding the strategic alignment from other planning groups, and finally providing recommendations to President Mahony once research and analysis was complete. The investigation process included research of various budget models, a literature review, and dialogue with other institutions (see Appendix A). The Group sought feedback from faculty and staff through online surveys regarding preferred characteristics of a budget model (see Appendix B). The Group then provided multiple presentations to faculty and staff to inform them of The Group's process and progress (see Appendix C). All facets of this process were important because they provided valuable data and qualitative comments that have been integrated into The Group's final recommendation.

Recommendation

The Group strongly believes that any plan to improve Winthrop's fiscal management depends less on the model chosen and more on changes in budget processes and campus culture. Keeping in mind the realities of Winthrop's resources, the current needs, and time required for the necessary culture shift, The Group recommends that Winthrop University implement an Incremental Hybrid model that uses an Incremental Model core and mixes elements from different budget models to best manage Winthrop's needs. This hybrid model will encourage responsible fiscal planning at all levels, allow for greater transparency, and provide an open examination of units that must change to meet future expansion and the current realities of our student body. In addition, this hybrid model will provide realistic base budgets (Zero-Based and Incremental Budgeting) and incorporate incentives for revenue generation and cost reductions (Responsibility Center Management and Activity-Based Budgeting). The Group acknowledges that these widespread changes in budget processes will require a seismic—but enormously positive—shift in campus culture.

With the shift in budget process to fulfil the vision outlined by The Group, Winthrop will need significant culture change, redesign in governance structures and reporting, mechanisms for more direct access to data, professional development that recognizes the changing nature of many roles, and a timeline that allows for thoughtful reflection. The proposed hybrid structure maintains stability in budgets by examining the actual costs and potential revenues across three to five years to determine base budgets for departments/programs that are realistic, emphasize informed decision-making, and encourage long-term planning. A budget process geared toward micro-level activities, such as, but not limited to, courses, academic programs, recruitment, campus facilities and ancillary programs will focus on how each fits within Winthrop's strategic vision. Such a structure can facilitate meaningful growth objectives as well as mechanisms to identify and address underperforming areas. With such examination and use of data as evidence, the Incremental Hybrid model should provide a process to illuminate opportunities for increased revenues and reduced costs across the institution. The Group wishes to emphasize that its recommendation positions an incremental model as the core operational system, enhanced by selected processes from other models.

Report

The report contains three primary sections. The *Evaluation of Budget Models* provides a review of four budget models that were examined by The Group. The *Vision for a New Budget Model* identifies key changes necessary to implement a model focused on data-informed decision-making, transparency, professional development/training, flexibility for initiatives and long-term planning, capital investments, and incentives. The *Plan for Budget Model Implementation* provides a more specific description of an implementation process that includes immediate changes, needed resources, and a process for a more complete culture change. Finally, the three appendices provide more detailed descriptions of The Group's process, data from faculty/staff surveys, and materials used in the open forums. Throughout the report an adapted version of the strategic planning committee's implementation complexity scale (dollar cost, labor cost, ease of implementation) has been used.

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Evaluation of Budget Models

Four primary budget models were examined as part of the research phase. These budget models are Incremental, Zero-Based, Activity-Based (ABB), and Responsibility Centered Management (RCM). This section will focus on the individual models as they relate directly to our group's vision of a new budget process established in the following section. For each model there is a brief description followed by key concepts developed through the evaluation of the pure model in relationship to The Group's vision for a new process for budgeting.

Incremental Budgeting (low cost, not labor intensive, quick to implement)

Incremental is the current model utilized at Winthrop and has been found to be common at many institutions. In an incremental model each budget unit is provided a base budget that is directly related to the previous year's allocations with incremental changes in some areas to address routine realities such as salary adjustments, increased costs of materials, etc. The incremental model is frequently identified as rigid, allocating resources with minimal attention to differences among units or shifting needs across the institution.
(https://www.eab.com/-/media/EAB/Research-and-Insights/BAF/Events/Webconferences/2014/Beyond-Incremental-Budgets.pdf)

The Incremental Model at Winthrop has been associated with a lack of transparency.

- Although the level of transparency in any model is actually the product of the leadership and individuals responsible for budget oversight, the incremental model has a tendency to foster an environment in which faculty and staff feel the process is controlled at the upper administrative levels without input.
- Issues that contribute to Winthrop's lack of transparency include changes that are not in line with the needs of a program, lack of understanding between the revenue generated and effect on budget allocations, and minimal evidence of data use to inform decisions at a local level.
- Winthrop's lack of funds that carry over (culture of "spend it or lose it") and a history of base budgets that did not reflect the actual needs, perpetuated a sense of lack of control and understanding (especially in the areas of personnel and equipment maintenance).

The Incremental Model is not specifically built to foster rewards for revenue generation, cost analysis, and long-term planning.

- Due to the tendency to maintain the general budget for a unit from one year to the next, the incremental budget process does not readily reward units or enterprises that are growing and/or increasing revenue generation. Consequently, there is a perception (and at times a reality) that the growth of one area is simply used to offset decline in another.
- The lack of a direct incentive system can also limit long-term planning and funds for strategic initiatives. Again this can be attributed to decisions made in the incremental design. However, there appears to be a tendency to fund existing programs in a consistent manner with a lack of ability or willingness to seek ways to encourage new growth and consider the viability of declining areas. Strategic funds are needed to support the development of new initiatives and to support the redesign of out-of-date programs/processes.

The Incremental Model is relatively easy to implement and maintain when compared with other models.

- This model can be maintained without widespread budget expertise, as our first-hand experience with it at Winthrop confirms. The Group's survey conducted with Winthrop faculty and staff, however, indicated that the university community needs significant professional development and training about budgeting, resource management, and operations. That lack of understanding about financial matters undoubtedly contributes to the perception of a lack of transparency.

Units have the ability to predict allocations from year to year.

- There is a sense of safety in a predictable budget, but this same feeling of safety can also encourage stagnation and an inability to address changing needs of programs within a division.

Zero-Based Budgeting (high cost, labor intensive, slow to implement)

The Group had members familiar with this model from work in the non-profit sector. During The Group's research there were a few small universities and community colleges that implemented a pure model. Review of literature emphasized that even where found, the model is typically applied to only a few specific accounts.
(https://www.eab.com/-/media/EAB/Research-and-Insights/AAF/Custom/2009/08/The-Use-of-Zero-Based-Budgeting-in-Higher-Education.pdf)

The Zero-Based model tends to focus on spending efficiencies and appears to not incorporate incentives for revenue generation.
(https://www.insidehighered.com/news/2011/07/12/colorado_mountain_college_adopts_zero_based_budgeting)

- The process of requesting and defending one's budget on a regular basis encourages a close examination of expenses and efficiencies. However, funding "start-ups" that may eventually increase revenues could be more difficult. The Zero-Based budget model does not inherently plan for long-term projects and ongoing commitments.
- The annual reallocation of funds can hinder long-term projects and planning for unpredictable expenses. The time and effort to request, report, evaluate, and reassign funds is more than other models.
- Zero-Based is an extensive process, especially when implemented annually and can be taxing for centralized administration and program area faculty/staff/administrators.
- The labor associated with defending requests and restructuring allocations would be more cumbersome than the changes currently made through the incremental process.

The process for requesting funds and reporting on past allocations does foster a level of transparency and accountability.

- If public, the reporting process would generate information for the campus community on budget use. However, better knowledge of allocations must be matched with an understanding of the decision process and data used.
- The model facilitates allocation of resources on needs and benefits rather than history.

Activity-Based Budgeting (ABB) (high cost, labor intensive, slow to implement)

Activity-Based budgeting is directed by data on cost and revenue generation. Significant effort is required to determine feasible models to not only examine the cost of certain activities, but also the needs of campus functions that are not themselves revenue generators. Local control and growth in an area should be matched by increased funding to help manage the growth.

The emphasis on revenue generation and taxation will require additional resources to manage. Further the size of Winthrop and the level of state appropriations may limit the benefits of decentralized allocations.

- The collection of data and monitoring of revenues will require additional staff with expertise in data analysis and budgeting to manage the changing allocations.
- Winthrop's size and low level of state appropriations will mean that taxes waged to fund ancillary operations and support services will be proportionally higher. This may negate the incentives and flexibility in unit budgets.

Although healthy competition and incentives can encourage growth, they can also lead to competition among units in a manner that hurts the university overall.

- When enrollment is growing, a system that rewards and taxes based on enrollment and revenue generation typically has many units reaping gains that are seen as positive. As enrollment stagnates, however, units may begin to compete against each other for student enrollment or activities that in the end hurt all. Some ABB institutions that have seen both growing and flat enrollments described a spike in cases of questionable competitive practices among the units during times of flat or declining enrollments.
- A model relying heavily on the connection between revenue and cost is never perfect. There will likely be programs or initiatives that require distributed support to maintain due to the link to the mission of the institution.

The data, metrics, and constant examination of practice foster a transparent environment.

- As previously stated, transparency is a leadership decision and can be an element of all models. However, the use of data in an ABB model lends itself well to leadership styles where transparency is central. The data allow for both an examination of strengths and weaknesses. If structured well this can not only highlight and support opportunities for growth, but can identify areas that must examine their practice.

Incentives that encourage both cost efficiency and revenue growth will help the university grow and stay responsive to current needs.

- Any system that is flexible enough to fairly address growth, honestly examine areas in decline, and systematically provide an environment that encourages change, innovation, and entrepreneurialism has promise in helping the university overall. The ability to use data, not impressions, to examine activity is a strength of ABB.

Responsibility Center Management (RCM) (high cost, labor intensive, slow to implement)

The qualities of ABB and RCM are much the same. They are both more decentralized, reward growth, and rely on data. Further they appear to be much more prevalent in larger institutions and those with stronger state support. The primary difference is the nature of the decentralization of responsibility. An ABB model appears to leave much of the management of budgets at the university level with the units having flexibility and responsibility in only key areas (such as program development or personnel). RCM shifts even more of the management to the unit level. Not only are the unit administrators and staff highly involved in decisions at a program level, they are also highly involved in the management of facilities and other ancillary operations that have traditionally been centralized at Winthrop. For example, in an RCM model a unit that wishes to use a space belonging to another unit must get approval from that second unit. In Winthrop's current model, space usage is controlled by a central office.

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- The collection of data and monitoring of revenues will require additional staff with expertise in data analysis and budgeting to manage the changing allocations.
- Winthrop's size and low state appropriations will mean that taxes waged to fund ancillary and support services will be proportionally higher. This may negate the incentives and flexibility in unit budgets.
- Increased budget and entrepreneurial acumen will be required at the unit level. This model moves most operational decisions (e.g., physical plant, personnel, etc.) to decentralized units. Such decisions will require increased data analysis, budget processing, and planning.

Although healthy competition and incentives can encourage growth, they can also lead to competition among units in a manner that hurts the university overall.

- When enrollment is growing, a system that rewards and taxes based on enrollment and revenue generation typically has many units reaping gains that are seen as positive. As enrollment stagnates, however, units may begin to compete against each other for student enrollment or activities that in the end hurt all. In talking with some institutions that have RCM and have seen both growing and flat enrollments, they experienced a spike in cases of questionable competitive practices among the units.
- A model relying heavily on the connection between revenue and cost is never perfect. There will likely be programs or initiatives that require distributed support to maintain due to the link to the mission of the institution.
- Clear formulas for determining funding levels can influence and encourage innovation in areas not previously deemed possible. For example, a program that has traditionally fought increases in per section enrollments can see the benefit in increasing overall credit hour production by innovative course offerings in which larger per section enrollments are possible.

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Incentives that encourage both cost efficiency and revenue growth will help the university grow and stay responsive to current needs.

- Any system that is flexible enough to fairly address growth, honestly examine areas in decline, and systematically provide an environment that encourages change, innovation, and entrepreneurialism has promise in helping the university overall. The ability to use data, not impressions, to examine activity is a strength of RCM.
- Units are responsible for working within the budget assigned based on revenue and assigned taxes.

Vision for a New Budget Process

As The Group considered appropriate recommendations for a new budget model, the need to develop a vision for a more responsible process emerged. Before outlining specific implementation plans, The Group will identify key changes that could be made in Winthrop's budget process. Several sources of evidence support the need for these key changes:

- The Group's research findings on various budget models revealed many of the deficiencies of Winthrop's current budget process.
- The feedback from the faculty/staff surveys and the three open forums revealed not only the strong hunger across campus for a better understanding of the decision-making process about resource allocation, but also a desire for transparency.
- The draft of the strategic planning committee's report indicated that a major challenge for achieving our long-term goals is "Connecting planning and budgeting."

The Group believes that the key changes outlined below can create a high level of alignment between the narrative and quantitative versions of Winthrop's mission and strategic plans. Each change is discussed and explained as succinctly as possible; yet, repetition is inevitable as concepts overlap and intertwine. Finally, the key changes discussed are not listed in any sort of hierarchical order of priority or importance.

Data-Informed Decision-Making (moderate cost, highly labor intensive, slow to implement)

Institutional expenses should be quantified using both a cost-per-course metric and an expanded cost-per-activity model that captures all component costs. Such data provide a multi-layered examination of campus impact to support informed decision-making, improved planning, focused investments, and increased productivity.

Data can be a powerful tool. Consider non-course based programs such as Summer Orientation. Does the registration fee cover costs, create a loss, or produce an increase in net revenue? The program is an integral part of the transition for students to Winthrop, yet a more complete analysis of costs, to the student and the institution, can inform program funding and design to better ensure the desired outcomes in an efficient manner. A cost-per-course metric identifies the differences in course costs that are affected by variables such as faculty salaries, section size, specialized spaces/equipment, and technology support. Armed with such data, programs can be empowered to and responsible for making informed decisions about costs vs. revenue generation in order to better support initiatives within the unit. As programs such as Social Work grow, does funding follow in a predictable manner? Using data on costs, growth projections, and potential revenue, a formula can be developed with metrics that measure the Department of Social Work's growth and direct the necessary resources to sustain operations. Questions and situations such as these are examples of the type of decisions that call for transparency, and their answers require data.

Transparency (moderate cost, highly labor intensive, slow to implement)

Transparency within Winthrop's budget process is very important to the campus community. The specifics of the budget process should be widely disseminated so it becomes well understood. Faculty, staff, and administrators should be active contributors in providing input on budget priorities. (The section on implementation offers more details about the format of faculty, staff, and administrator engagement in the budget process.) The benefits of transparency include increased understanding of budget processes and allocation decisions. In addition, transparency promotes an appreciation for the complexity of our collective endeavor, and provides for a deliberative, rational, and courageous campus conversation about financial planning and budget allocation that will become ingrained in the institution's culture.

Professional Development and Training for Budget Literacy (moderate cost, moderately labor intensive, slow to implement)

The success of our financial management will depend on the personnel involved in the process. Key faculty, staff, and administrators must receive proper budget training in order to become budget-literate and proficient in their areas. Units with large budgets could include staff (or share staff with other units) who are trained budget account specialists adept at navigating Banner and generating reports in a timely manner. With the shift to data-informed cost-per-activity metrics, there are new needs for cost modeling, data generation, and revenue forecasting. These new capabilities will allow the university to allocate resources more efficiently. Training for those directly involved in budget processing is only a first step. To accomplish this, tools must be available and individuals must receive professional development and training. Intentional efforts are needed to help all campus stakeholders (faculty, staff, students, parents, etc.) become budget-literate in order to fully engage in a transparent process. Professional development will require campus engagement, time, and resources to meet its full potential.

Carry-Over of Funds (low cost, moderately labor intensive, slow to implement)

Units should be able to carry over unencumbered funds from one fiscal year to the next. Such a practice supports long-term planning and flexibility. Budget processes should always allow operational budget expenditures over a multi-year period to improve long-term planning, to lower costs, to boost efficiencies, to meet unforeseen needs, and to keep facilities/equipment fully operational. Such a model for budget outlook relies heavily on the creation of realistic base budgets that provide equitable potential for meeting both current and long-term needs.

Strategic Planning (high cost, moderately labor intensive, slow to implement)

A complex institution such as Winthrop University always has major ongoing needs and aspirations for growth that are large-scale and, therefore, cannot be fulfilled with one-time allocation of resources. They require strategic, long-range, multi-year financial planning as well as expert personnel to provide financial and economic forecasts. The Group considered strategic planning along two tracks: ongoing needs and new initiatives.

Ongoing Needs

Maintaining competitive compensation for personnel is a major ongoing need. Reassigning personnel resources as units grow or contract represents another ongoing planning decision. Winthrop also has a significant infrastructure of capital assets, including facilities, equipment, computing systems, and other capabilities that must be maintained, modified, and modernized to sustain quality. The new budget model could provide a process to allocate funds to meet ongoing needs such as replacement of aging exercise equipment, upgrade of campus wireless network, and modernization of instructional equipment.

New Initiatives
Aspirations for growth include new initiatives such as educational programs for new demographics, new facilities, major renovations to serve new programs, and new ancillary enterprises. The leadership of any institution prioritizes these needs, and implementation is only possible if the institution routinely sets aside dedicated funds for strategic new initiatives. Dedicated funds are needed for initial costs as well as long-term sustainability. For example, if Winthrop University wished to develop a physician assistant degree program, there would be start-up costs for hiring instructional staff, buying equipment, and creating facilities for instruction (among other things). Once the program is in place and enrolling students, ongoing costs would include equipment maintenance, instructional salaries, and facilities maintenance (among other expenses).

Incentives (low cost, highly labor intensive, slow to implement)

The budget process could include embedded incentives to grow revenues and control costs. Data-informed cost metrics and trends can guide decisions about which academic programs to add/grow and/or which programs to reduce. The concept of incentives intertwines with the above key changes of data-driven decision-making, carry-forward of funds, and transparency. Knowing what incentives to implement and how to implement them will require data analysis. Units will benefit from incentives only if they can retain the rewards over several budget cycles. Units will know how to plan to earn incentives only if there is a transparent formula or target.

It is important to restate here that the capacity to carry-over funds to the next fiscal cycle is a very important incentive in itself. This is especially true for units that do not generate revenue, for they can be rewarded for controlling costs. For example, moving instructional/administrative activities to digital platforms and converting to energy-saving systems represent common examples of efficiencies that can be incentivized.

Creating either revenue-generating or cost-controlling incentives requires broad participation from faculty, staff, and administrators to determine a process for allocating incentives. A budget oversight structure that includes personnel from across campus would first identify what incentives currently exist and evaluate their effectiveness. A second responsibility would entail recommending to the leadership new incentives that should be created and implemented.

Winthrop University routinely faces increases in mandatory institutional spending for employee healthcare, retirement benefits, and infrastructure upgrades. Changes in internal budget processes and program modifications can reduce costs and increase revenues elsewhere in the university to offset inevitable cost inflation. The number and kinds of incentives that could be implemented at Winthrop are limited only by our collective imagination. A few examples of specific incentive initiatives that should be considered include a cost-savings suggestion program, revenue sharing in summer school, and pre-college programing (e.g., a summer academic bridge program).

The vision of budgeting presented in this section represents a significant shift for Winthrop. Although culture change and procedural overhaul are time-consuming and will require some resources, The Group believes that the campus community must take steps now to ensure our future viability. Aspects of the vision such as transparency and incentives have potential to enhance university revenue generation and improve overall morale, two widely accepted needs for Winthrop's future. Creating a structure that will allow for changes in the budget process must include open dialogue, representative input, infrastructure investments (for example, professional development, more effective use of technology, and job restructuring), and strong leadership. The Group feels that implementation must start immediately to build support and allow for a reasonable timeline for effective implementation.

The remaining section of the main report outlines some specific steps for change, but intentionally allows for a new structure and system that can adapt as needed. In the creation of such a governance and advisory structure (whether using existing resources or investment in new resources), a primary focus must be on the cost to those tasked with oversight, support, and implementation. The changes outlined here will require time and training. When existing personnel are assigned changing or new tasks, there must be a system to review whether a change in job functions is required in both the short-term and long-range outlook.

Plans for Adopting a New Budget Model

Track One: Quick Start for Immediate Results (Operational by the beginning of FY 2018)

While the transition to a new budget model will take years to fully implement, The Group believes there are steps that can be put in place in FY 2017 or by the beginning of FY 2018 to produce results as soon as possible, thereby demonstrating the administration's commitment to change. When The Group contacted other universities about their budget model changes, those institutions reported that small, immediate, concrete changes built trust and forward momentum. These changes are all highly labor intensive and carry moderate financial costs.

Transparency

Transparency in budgeting builds trust across the campus community. In fact, the Budget 101 presentation from the President this spring to the Board of Trustees and Faculty /Staff conferences was a significant step toward improving transparency. The Group believes having the annual university budget available to the campus community without explanation or context is insufficient. Instead as we increase budget literacy, regular updates and information must be shared in a way that campus stakeholders have the opportunity to understand the budget realities, the processes for decision-making, and as appropriate, why decisions have been made. In addition to an expanded university commitment to budgetary openness, those responsible for budget decisions at all levels (for example, deans, department chairs, and supervisors) could be encouraged to share detailed information on decisions and resources within their divisions/departments.

To improve transparency, The Group recommends the university develop an avenue for budget needs to be recognized, whether through a budget hearing process, through an online budget request process that flows from bottom up, or a combination of the two. Then, after all requests are considered and the decisions are finalized for the new-year budget, those decisions, as well as the reasons for the decisions, should be communicated from top down.

Training

Understanding all aspects of the budget, from the annual budget request process to monitoring budgets within Banner, is critical to a budget model's effectiveness. A commitment to professional development around general budget literacy for all must be part of the ongoing timeline for model implementation and maintenance. Yet more immediate needs exist for training of those directly involved in budget processing. Through comments in the survey responses, as well as via group members' personal encounters in their campus roles, it is apparent that training ("Understanding Budgets in Banner") is currently needed for Banner Finance users to help improve understanding of the budget and finance activity. The Group recommends that campus wide training, led by members of the Finance and Business division, should be offered, and attendance required of any faculty and staff member whose job description includes budget responsibilities. "Understanding Budgets in Banner" training could be an ongoing program for new personnel with budget responsibilities or for any staff needing a refresher. Such trainings must be considered an integral part of the individual's roles and responsibilities. The Teaching and Learning Center could collaborate to deliver ongoing budget literacy training. Moreover, select personnel in key positions could be provided with professional development opportunities (conferences, retreats, consultancies, etc.).

Budget Carry Over

The Group recommends unspent budget dollars should be carried over to the future fiscal year for specific needs. Such a transition in operations could promote better long-term planning, encourage cost savings, and discourage unnecessary spending. Through an examination of current Winthrop realities, The Group recognizes that some form of phase in must be considered, yet reaching a level of 100% roll over should be clearly set in the timeline for budget model implementation. Conversely, units that overspend in one fiscal cycle need to be held accountable for their deficits in the following fiscal cycle. Such a change in process must be made in conjunction with an effort to ensure budgets are right sized and realistic as it would not be equitable to reward a department that has been traditionally overfunded while penalizing a department that has been significantly underfunded in previous years.

Sharing Revenue

While there may be many revenue sharing ideas that will take time to implement, some revenue sharing measures could be implemented within the next budget year for immediate positive results. One such example is revenue sharing in summer school. Currently, units have no incentives to promote summer school revenue growth, and in fact, some disincentives exist. For example, in the current structure the offering of two sections of a course with twelve students in each section results in full summer pay to two instructors. There is no direct incentive to consolidate to a 24 student section with only one instructor to pay. If the university were to implement a shared revenue model for summer school, the units would have a direct and understood incentive to build summer school offerings and enrollment.

Although suggested as a Quick Start Initiative, further exploration of faculty load/compensation models at the program or unit level could help fund work by faculty and staff during the summer months not tied to courses. For example, a team of faculty could share teaching responsibilities in the summer; the program could strategically make choices on number of sections, delivery models, and cap sizes; and flexible compensation models could provide funds to support both the summer instruction (revenue-generating activity) and student research (non-revenue generating activity) so that faculty are equitably compensated for all forms of student development during the summer terms.

The Group recognizes that the university currently depends on base summer enrollment levels to balance the annual budget, hence the incentives must be implemented over time. Nevertheless, immediate recognition of revenue growth can have positive impact at all levels. As academic units will need time to plan, develop, coordinate, and implement course changes, the decision to effect this change must be made soon. The Group believes there is already adequate reporting to support this initiative.

Cost Savings

Recognizing cost savings is an integral step to realigning resources. The Group suggests implementation of a campus-wide Cost Savings Suggestion Program with built-in rewards. The Office of Sustainability could facilitate this process. Rapid deployment of such an idea would provide visible evidence of both community engagement and a willingness on the part of senior leadership to make changes to more effectively utilize resources. Implementation during the early part of the fiscal year allows time for submission and consideration of ideas and new/improved processes to control costs. For example, cost-saving academic program modifications submitted in fall could go through the full curriculum approval process in one academic year. Establishment of a cost-savings program in the near future provides time to generate an end-of-year program report itemizing suggestions made, actions taken, and actual or projected cost savings.

Track Two: Laying the Groundwork (Operational within Three to Five Years)

Along with the recommended steps to be taken now to yield short term results, The Group believes there are also steps that should be taken immediately that will yield longer term results and sustain the commitment to an improved budget model. The wisdom accumulated from universities that provided information about their budget models (summarized in Appendix A) indicates that a concerted, saturating effort needs to be made to inform the campus community about the evolving budget model and processes. Also, careful thought must be given to the formulation of the budget governance structure and the appointment of personnel to serve in it.

Data-Informed Decision-Making

To support sound decision-making, data must be available, reliable, and understood. Unless the costs to offer programs and services and the revenues generated by source (program, credit hours, or service) are known in all divisions of the university, budget decisions are by default based on incomplete information. However, it is not enough to have data available. The Group believes that data-informed decision-making must begin with ensuring data integrity with clear university data standards that are communicated to and understood by all affected data users. With data standards established and followed, data are consistent and reliable and can be used to analyze and develop cost metrics for decision-making. Further, technology rich applications can produce meaningful reports on an ongoing basis without the level of human intervention currently seen at Winthrop University.

Development and validation of cost metrics will require significant time. Cost metrics serve as the foundation for budget processes and need to be available for establishing priorities, realigning resources, and making strategic decisions. Cost metrics should be developed for revenue generating functions to determine whether the revenue is covering not only the direct costs, but also contributing to indirect/overhead costs. In addition, metrics based on cost-per-activity for non-revenue generating functions should be developed. Cost and revenue data should be compared to benchmarks of other higher education institutions.

As more cost and revenue comparisons are known, more rational, albeit sometimes difficult, decisions can be made. The Group foresees difficult decisions, including actions that provide resources to revitalize programs, direct funds to programs central to the university mission even when revenues do not cover costs, and end support for less productive, less mission-critical programs or services. Such difficult efforts can then provide needed revenue for new program development, administrative redesign, and support to underfunded areas.

The Group recommends the university create a dedicated Report Writer/Programmer position to generate the data and a Fiscal Analyst position to analyze the data and report this information in an appropriate and understandable method so that sound, data-informed decisions can be made. Ideally, these positions could be created within current staffing levels by realigning responsibilities and providing necessary professional development and training. Such a reallocation of personnel should be possible as data become more reliable and as technology-rich mechanisms for reporting and data mining are utilized. However, if resources within the current landscape cannot be identified, then the costs to add personnel could total up to an estimated $152,000 annually. This amount is projected based on median CUPA data as reflected in the following breakdown:

Application Programmer Analyst @ $58,790 + 34% Benefits = $78,779

Fiscal Analyst @ $54,374 + 34% Benefits = $72,861

The Group is confident that even if additional resources are required, the benefit will help improve the decision-making process and ultimately provide initiatives for revenue growth.

Structure of Committee(s)

To assure confidence, transparency, and accountability, The Group recommends that an interlocking budget governance structure be put in place that engages personnel from all divisions and at all levels. The membership (that includes faculty, staff, and senior management) will work to create incentives to reduce costs and increase revenue, keep programs relevant and current, recommend strategic investments, and suggest new programs (academic and other) to help advance the mission of the university. The charge to such a committee or collection of committees would include regular reporting on progress made, assessing success on predetermined key indicators and special projects, and participation in appropriate professional development or training.

Such a structure provides a representative avenue to address questions regarding the budgeting process at Winthrop, but representation and use of existing governance bodies must be thoughtful and purposeful. Providing information in a transparent way will allow the budgeting process to earn the confidence and respect of the faculty and staff. This transparency will allow all to monitor the progress of the strategic plan and allow us to celebrate our successes while learning from challenges. Increased transparency requires increased responsibility and need for ongoing professional development/ training. A realistic plan and timeline for implementation is also required. Although The Group strongly encourages immediate action in some areas, the campus community will need time to develop budget literacy. Such literacy will support understanding of decision-making processes and facilitate an environment in which change can be recognized based on sound reasoning and data.

The newly formed governance/advisory structure could be tasked with developing key enhancements for the budget model, exploring potential costs and revenues, and initiating market analysis studies. Enhancements may include the following:

<u>Identify incentives</u>

- The university's budget model should include incentives such as sharing revenue and rewarding cost-saving measures that align with institutional priorities. When faculty and staff are responsible and rewarded for generating revenue, they will be inclined to take informed ownership of the budget.

<u>Identify methods for enrollment growth and revenue-generating initiatives</u>

- Seek new ways to deliver academic programs, especially when underutilized facilities and resources currently exist. This may include online course offerings, certificate programs, and continuing education options.
- Expand partnerships with area organizations such as the Bridge Program with York Technical College. Such expansion could include allowing students enrolled in the Bridge program to reside in campus housing. Living on or adjacent to campus would promote a sense of belonging which could better facilitate Bridge students' transition to Winthrop.

- Develop pre-college opportunities such as Summer Academic Bridge Programs for newly admitted students and dual credit options for upperclassmen in high schools. Units could enjoy the incentive of sharing in the tuition revenue.
- Incentivizing (through revenue sharing) the development and implementation of new programs or development of new markets that raise the visibility of the university and ultimately attract more individuals to our campus either physically or virtually. Universities contacted by The Group affirmed that new initiatives must become the top priorities of the institution if they are to succeed.
- Provide support for non-academic revenue-generating enterprises. Examples may include sharing resources and facilities with the community; offering attractive summer experiences for international audiences, K-12 students, senior citizens, and other populations; or developing avenues for consultations for pay that utilize faculty, staff, and student expertise.

Identify methods for long-term needs and goals

- A multi-year capital budgeting plan should be developed and implemented to prioritize those ongoing capital (both facility and equipment) needs. Such a plan allows for Winthrop to utilize debt capacity and non-recurring state allocations to meet ongoing institutional capital requirements.
- Prioritizing dedicated funds for new initiatives is essential to long-term planning and university viability.

Make recommendation to Senior Leadership based on data review

- Those appointed to serve as advisors for the budgeting process should be seen as a "go to" resource for the Senior Leadership Team as it relates to budgeting and funding strategic initiatives and managing existing ones. While Senior Management may have to make difficult decisions, the decisions made will be well-informed and based on high-quality data.

Track Three: Long-Term Sustainability (A New Culture Taking Root)

Monitor the Process

Long-term collaboration among the offices of Finance and Business; Accreditation, Accountability & Academic Services; the Deans; and other key offices across campus will be essential to making this budgeting process work. This collaboration could occur with the generation and analysis of the data and with the development of metrics. In addition, there needs to be a collaborative effort to ensure a continual systematic assessment of all aspects of the budget process. Over time, factors used to determine metrics can change as the campus community matures in its budget literacy and engagement. Therefore, regular review of not only the accuracy of the data, but also the metrics that are used in budget allocations and decision-making is essential. Everyone on campus must be able to make budget decisions with confidence. This is only possible when the data and processes are consistent and equitable to all involved and are appropriately aligned with the university's short and long-term priorities.

Maintain Transparency

The Group recommends that Senior Management communicate regularly with the campus community and provide budget updates, including all changes made based on data. Those communications need to include justifications and refer to specific examples showing how the data influenced decisions. In addition, to engage all members of campus, especially those not close to the daily budget process, the President is encouraged to present annually to the faculty and staff the "State of the Budget" as he did in 2016. His example should inspire administrators in all divisions, units, departments, and offices to conduct similar "Budget 101" presentations to their stakeholders.

A culture of transparency will also include a willingness to explore suggestions even when there is concern that state regulations would prevent such changes. For example, a targeted early-retirement program could be a major cost-saving measure, providing substantively increased opportunities to realign faculty and staff positions to better match university strategic goals and needs. Cost-savings would be achieved by routinely leaving vacated positions open for 12 months through temporary reassignment of responsibilities (as recently done for the President's position). Retirement incentives could be separately resourced with one-time funding accounts. Early-retirement incentive programs exist at many other universities, such as University of Southern California (https://faculty.usc.edu/benefits/ferp/), the University of Iowa (http://hr.uiowa.edu/retirement/university-process), and James Madison University (https://www.jmu.edu/JMUpolicy/policies/1333.shtml). Some institutions even include options for phased retirement over a multi-year period. However, The Group recognizes in a state regulated environment such a program may be limited. Exploration of the feasibility followed by direct response on the possibility are essential elements of a transparent budget climate.

Provide Ongoing Professional Development and Training Opportunities

Transparency is only effective when the audience is well informed and can understand the information made available. Ongoing campus training and professional development programs will nurture a culture of transparency and build support among all divisions and levels of the campus community. The division of Finance and Business could coordinate both development of financial models as well as the training and professional development of all personnel involved in the budgetary process.

A Vision Forward

The change outlined in this report will not be easy and will not guarantee success. Yet such change is required to address current needs, plan for growth, and ensure an open, equitable plan for Winthrop's future.

Change suggested by The Group will touch all aspects of campus operations and thus will have a profound impact on personnel and programs. Thoughtful decisions will be difficult. Whether the decision is to expand or discontinue university efforts, change must be made and reasons should be communicated. A culture shift needs time, and intentional efforts to create a budget-literate community will be essential to the success of the effort. Such reorganization and shifts in process will seem risky for some, but The Group believes it is worth the effort to grow Winthrop University at all levels. The campus community has discussed for some time the need to change in order to educate a shifting population and adapt to an evolving role for the academy within a global context. So action must now be taken. Examination of the budget process is central to all other changes and elements of the strategic goals for the university, because the way an institution allocates resources is a direct reflection on priorities and a strong predictor of future viability.

Appendix A – Investigation Process

Answering the charge

Since October 2015, The Group has met on a weekly basis. The process has included exploration of resources, research, and best practices so that the members could better understand Winthrop's financial practices, faculty/staff expectations, and budget models that exist.

To better understand the challenges of Winthrop's existing budget process, The Group received an overview of Winthrop's current budget process and reviewed the FY2016 Proposed Budget approved by the Board of Trustees.

Understanding Current Practice

The Group asked questions about current practice and discussed known issues seen across the experiences of members. To learn about other models, The Group first divided the research into manageable pieces, and small subgroups began to dive deep to become familiar with a model. Utilizing the Internet, available literature, Education Advisory Board (EAB) resources, conference materials, etc., the subgroups performed detailed, independent research on the following budget models:

Zero-Based Budget
Activity-Based Budget (ABB)
Responsibility-Centered Budget (RCM)

The subgroups reported the results of their research, summarizing the main characteristics of each model. Based on that research, The Group then compiled a list of attributes judged important to any budget model and ranked the four models, including Winthrop's current incremental model, on their abilities to address each attribute. These rankings were very preliminary in nature, but the discussion provided an opportunity to better explore individual and collective understanding. The specific categories provided a basis for the first faculty/staff survey and questions used when contacting various institutions.

The categories included:

- Ability to respond to changes in the market in a timely manner
- Accountability to stakeholders
- Control costs
- Documentation and transparency of revenue sources
- Ease of maintenance
- Evaluates spending to make hard decisions
- Incentivize to increase revenue
- Inherent transparency of model
- Planning for long-term strategic investments
- Simplicity of implementation
- Support Strategic Goals of the University (I.e. enrollment, etc.)
- Transparency of expenditures
- Understanding current needs and deficiencies (deferred expenses, etc.)

- Understanding of long-term funding needs to sustain current quality (programs, facilities, etc.)

Input from other institutions

Armed with the knowledge from group research and discussion, The Group turned to gathering practical information from other institutions. As a way to normalize the results, the following list of questions was developed:

1. What was the motivation to seek out a new budget model?
2. What budget model did you move from?
3. What was the biggest challenge you faced in changing budget models and/or in implementing?
4. How did you "sell" the new budget model and did you face any issues selling the model?
5. What features work best for you?
6. Did you have to add staff directly as a result of the new budget model? If new staff needed, at what level(s)? What types of reorganization were necessary?
7. What type of systems software do you use? Banner?
8. What was your timeline in general?
9. Has enrollment increased or decreased since implementation?
10. What are some examples of unexpected positives and/or negatives?
11. Are there any other institutions that we should reach out to?

An organic search based on personal contacts, publicly available case studies, and referrals, produced a list of eleven universities, both public and private, that use one of the three non-incremental budget models. Although a private institution that uses Zero-Based budgeting was identified, The Group decided not to explore follow-up. The Zero-Based model was felt to be a very poor fit for Winthrop and was eliminated at this step in the research.

Unfortunately, five of the eleven universities contacted were unresponsive. Below is a compilation of the feedback we received from MUSC, USC Columbia, Youngstown State University, Kent State University, University of Washington, and Tulane University:

- The motivation to seek alternative budget models is primarily driven by new executive-level leadership coupled with declining revenues and state support. One university wanted a more centralized decision-making process, while other universities desired to shift control over revenues and expenses to deans and other unit heads.
- Most of the universities that responded have moved from a pure incremental budget model to ABB, RCM or a hybrid.
- The biggest challenges encountered include limited resources for new initiatives, competition across colleges for the same students, failure to keep faculty/staff "in the loop," and the recognition that universities need to be more affordable and responsive to state needs.
- The switch to an alternative budget model affords more flexibility to deans, allows colleges to understand enrollment issues and the impact on their budgets, and provides more transparency to students by showing where their tuition dollars are spent.
- Recommendations of things they would do differently include not allowing colleges to duplicate services offered by other colleges or the central office, making new initiative funding a higher priority, and scheduling the timing of the implementation carefully.

- With regard to staffing, most universities did not add any new staff in their central office, but a few of them utilized the services of outside consultants to implement their new budget models and develop their revenue sharing formulas and taxes.
- The primary implementation issues encountered include forming committees with the wrong population of individuals to implement a new budget model, failing to schedule enough meetings to explain the new budget model, attempting to complete the entire implementation within a single year rather than over a realistic timeframe of three to five years, unsuccessfully defining what "successful performance" means, and lacking the willingness and/or ability to make "hard decisions".
- Most universities use homegrown software to manage their budget models along with some commercial programs based on Microsoft Excel and Access.
- The general timeline for most implementations is three to five years.
- Numerous other considerations were offered by the contacted institutions. They include, but are not limited to:
  a) Focus on revenues, but also expenses
  b) Cash flush colleges tend to spend lots of money
  c) Make a determination whether to tax based on revenue, space allocation, or some combination of both
  d) Strong institutional research and reporting tools are essential
  e) Involvement of faculty is imperative
  f) Review the model on a regular basis and modify as necessary
  g) Constant training will be required of faculty and others involved in the budget process
  h) Implement small, definitive changes within the first year to demonstrate a commitment to change campus culture

Overall, the following recurring themes seemed to increase the success rate of any budget model:
- provide transparency to all stakeholders
- define and obtain relevant, timely institutional data
- ensure the availability of sophisticated, professional staff to handle data analysis
- seek input and participation from all cross-sections of the institution
- align resource allocations with institutional strategic goals

Interestingly, almost half of the responding universities have actually failed to implement a new model and have reverted to incremental. The causes are diverse but usually include a change in leadership (loss of champion) or highly disruptive events (hurricane) that make incremental budgeting a safer and more comfortable process. Yet, there was evidence that even in cases where a move back towards an incremental model occurred, some elements of positive change such as transparency and incentives were maintained.

Input from the campus

In an effort to solicit input from the entire campus community, The Group designed and sent out an initial survey. (See Appendix B.) The survey feedback and results were incorporated into a PowerPoint document that was presented at three separate times/days/locations. The presentations were open to all faculty and staff.

The Group subsequently revised the PowerPoint to integrate comments received during those informational sessions. The revised and annotated PowerPoint presentation (see Appendix C) was sent to the campus via email, and a second survey was created to gather more feedback.

These surveys were used to identify themes, check group thinking, and consider how implementation could be achieved. The Group was glad to see that many of our own themes were in line with feedback from the larger community. Further, areas for additional discussion were identified to help facilitate the creation of the final report.

Formulating the Final Recommendations

Equipped with fundamental data from research, real-life experience from other institutions, and feedback from the campus community, The Group then deliberated on the best models to implement at Winthrop. The models were discussed in relationship to many different proposed scenarios to determine how each model would fare against existing or hypothetical issues. Group members then debated the outcomes alongside the university's strategic goals. Interestingly, all members independently came to the same conclusion; a hybrid model that maintains some stability was required. This is significant because The Group originally had very diverse opinions on the different models and what would be best for Winthrop.

Many in The Group maintain a belief that the model implemented is less important initially than the budget processes and culture that is created as the result of its implementation. As elements such as incentives for growth, data-informed budgeting, and transparency/participation in decision-making are implemented, The Group expects that the model will evolve and mature over the next five to ten years.

Appendix B – Survey Results

Survey #1

This survey was designed to gather input from the campus community on the importance of different attributes for the university's next budget model. The main query was spread over two questions. The first one (Question # 2) offered a list of predetermined attributes and asked the respondent to select the top 5. There was no particular ranking process as long as (5) and only (5) attributes were selected. The next question (Question #3) included a free-form field and asked for any attributes that the respondent wished had been included in the previous list. The combined intent of both questions was to compile a list of the top most important attributes and make sure that none had been overlooked by The Group.

Additionally, two questions were included to help measure the perceived engagement of the community and its level of knowledge about budget models. Since participation in the survey was voluntary, The Group wanted to make sure that the two main populations (faculty and staff) were equitably represented in the results. Also, The Group wanted the ability to explore whether people with budgeting experience would be more or less likely to participate in the survey.

Fortunately, the results showed no bias from any particular group.

Although fairly short and simple, the survey seemed to create a challenge for some of the respondents. The answers received seemed to indicate that many respondents may not have fully understood the questions.

355 responses were received.
161 responses (45%) were from people self-identified as Faculty.
194 responses (55%) were from people self-identified as Staff.
182 responses (52%) were from people who self-identified as having had budget responsibilities at Winthrop.
170 responses (48%) were from people who self-identified as never having had budget responsibilities at Winthrop.

The survey responses reported the 5 most important attributes for a budget model, ranked from most to least as:

- Address current needs and deficiencies
- Allow overall budget transparency including expenditure and revenue
- Support strategic goals
- Include allocations for long-term funding needs to sustain quality
- Be simple to understand.

Quite surprisingly, "*Provide incentives to increase revenues*" was not in the top 5, but "*Address current needs and deficiencies*" was. This was rationalized as a possible result of the globally expressed concerns about salaries and perhaps a misunderstanding that revenues essentially drive the availability of funding.

The free-form or open-ended nature of Question #3 provided an unexpected forum for people to express their deepest concerns. About 28% of the responses (101) included a comment, although 5 of them ("m", "nA", "-", "N/A", "N/A") should be considered invalid. Among the respondents who provided a comment in Question #3, only slightly more than a quarter did so in an anticipated manner. Instead, almost 20% of the responses asked for more transparency, an attribute that was already one of the choices in Question #2. About 18% of the comments focused on the need for better salaries and pay raises. 7% pointed to a top-heavy leadership structure at the university, and 6% were comments about The Group's work and not the budget models.

Survey #2

The second survey was designed as a tool to gauge the overall effectiveness of the three public presentations. Again, possible bias was measured by the first question which asked the respondent to identify as faculty or staff. This time, there was a significant tilt toward staff (63% of responses) versus faculty (37%). One important distinction to note is that, unlike the same question in the first survey, this one was unintentionally flagged as optional. Consequently, only 35 out of 45 respondents identified themselves as belonging to one of the categories. Those numbers are however consistent with attendance at the public presentations, which were attended by more staff than faculty.

Even though the survey was targeted at people who attended at least one of the public presentations, the majority of respondents (56%) said that they had not attended. The presentation on March 29th was the most popular (20% of respondents), followed by March 25th (13%), and finally March 24th (11%).

Only 10 respondents provided a comment, although one ("none") should be discarded. The comments echo many of the previously expressed concerns about a new model and its implementation. In particular, the following themes stand out:

- Need for commitment to the new process from all constituents throughout the university.
- Awareness of the disruptive effects of a new model on the culture of the university.
- The importance of the implementation process for a new model, and more specifically, the transition from the current model.
- Need for transparency and inclusion in the decision-making process.
- Need for a flexible and responsive model that allows growing departments to have growing resources.
- Need to consider service units which do not generate revenue but have well established and often mandated expenses.

Appendix C – Annotated Presentation Slides

Budget Model Strategic Planning Group

Introduction

Annotated Version Only

- This is an annotated version of the presentation presented to campus in March 2016.
- The committee has not yet made a recommendation nor a decision on what to recommend.
- The information here was presented to provide an overview of our work and some of what we have learned so far. We have provided some resources for further review for interested parties.
- *Italics* has been used to indicate annotations made with in slides from the original version. Added slides have been indicated in the title section.

Committee Membership

- **Amanda Maghsoud**, Associate VP Finance & Business (Group Leader)
- **Patrice Bruneau**, Assistant VP Computing & Information Technology
- **Dr. Beth Costner**, Associate Dean, Director Student Academic Services, College of Education
- **Dr. Philip Gibson**, Assistant Professor, Accounting Finance and Economics
- **Michelle Hare**, Director-Financial Aid, Office of Financial Aid
- **April Hershey**, Assistant to the Dean, Graduate School
- **Tracy Hildreth**, Controller, Controller's Office
- **Karen Miller**, Budget Analyst/Facilities Manager, College of Education
- **Dr. Pat Owens**, Department Chair/Professor, Chemistry Physics Geology
- **Grant Scurry**, Assistant Dean of Students, Director of the West Center & Recreational Services, Student Affairs
- **Ken Sheetz**, Associate VP Institutional Advancement, Development Office
- **Dr. Andrew Vorder Bruegge**, Assistant Dean, College of Visual and Performing Arts

Overview

- Committee’s charge
- Investigation process
- Budget models
- Survey results
- Additional survey feedback
- Next steps for our group
- Questions & comments

Committee's Charge

Annotations

Budget Models

- Identify possibilities *The committee has been investigating four models we found most prevalent in the literature.*
- Evaluate feasibility *That included data needs, cost of implementation, ability to address budgeting needs for WU identified by group and suggested by F/S.*
- Consider strategic alignment *This has been a general look at goals and will likely need more specific attention when strategic goals are announced.*
- Provide recommendations *We will likely recommend 2 or 3 possibilities providing our reasons. There more on this later in the presentation.*

Investigation Process

- Examined Winthrop’s current process
- Researched existing budget models
- Contacted other colleges and universities
  - Success rate
  - Point in process of change
  - Resources they used
  - Reason for change
  - Pros and Cons
- Identified attributes
- Conducted faculty/staff survey

Budget Models

Expanded to include more details.

Centralized

- **Incremental**
  - *Winthrop's current approach*
  - Focuses on previous year's allocations with necessary changes
  - *Can be established to include more transparency and F/S involvement*
  - *Could be combined with other models to be more dependent of data, performance, or incentives to build revenue*
- **Zero Based**
  - Focuses on outcomes and annual review of all expenditures and needs (starts fresh annually)
  - *Seen in non-profits*
  - *More difficulty finding intuitions that implemented this as primary model.*

Budget Models

Expanded to include more details.

Decentralized

- **Activity Based**
  - Focuses on analysis of cost and revenue at a micro-level
  - *This is a costing model with clear incentives to increase revenue*
- **Responsibility Centered Management (RCM)**
  - Focuses on the management of revenues (many times at the college/division level)
  - *This is model built on management structure…each center has a bottom line and decision making responsibility.*
- *Both ABB and RCM*
  - *Uses taxes on revenue to support areas of the university that do not naturally have revenue building capacity such as Records and Registration, Facilities, or IT*
  - *Are highly focused on incentives to build revenue and control costs*
  - *Will require significant initial data revue and on going maintenance.*

Budget Models

Expanded to include more details.

Hybrid

- Combination of two or more budget models
- *Although WU in general uses an incremental model currently there are some groups on campus that operate on a model that is more dependent of cost vs. revenue*

Some general resources

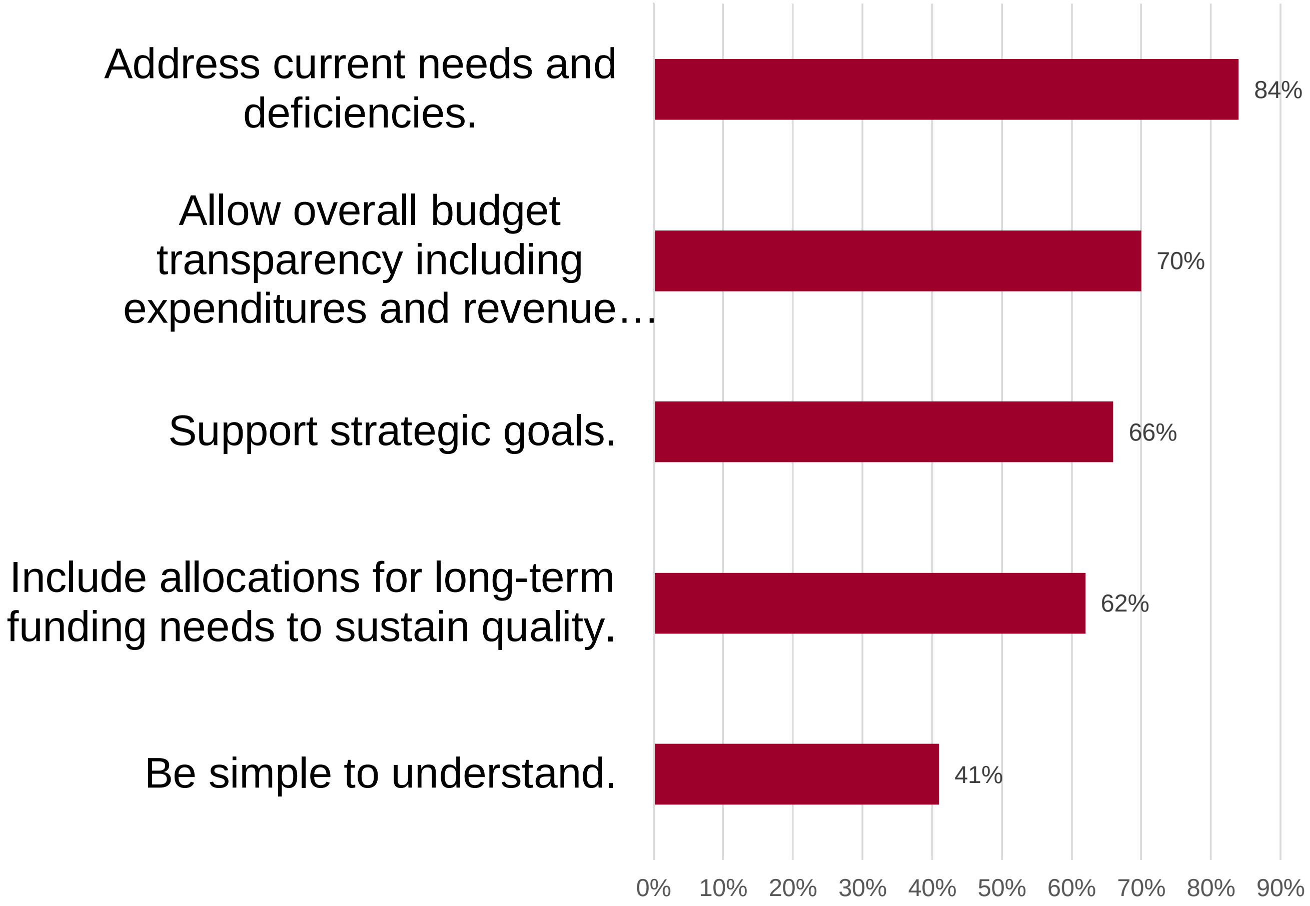
Annotated Version Only

- EAB resource (public content) https://www.eab.com/research-and-insights/business-affairs-forum/studies/2014/optimizing-institutional-budget-models (Note: you can request an account for additional information)
- Hanover Research Overview of 6 models: http://www.hanoverresearch.com/insights/6-alternative-budget-models-for-colleges-and-universities/?i=higher-education
- *Higher Education Expenditures and State Balanced Budget Requirements: Is There a Relationship?* G. R. Serna, and .G. Harris Journal of Education Finance, Volume 39, Number 3, Winter 2014, pp. 175-202
- *Strategic planning and financial management* J. F. Conneely, New Directions for Student Services: Strategic Planning in Student Affairs, Volume 2010, Issue 132, pages 51–61, Winter 2010
- Will your institution pass the financial responsibility test? (Chabotar) http://agb.org/trusteeship/2011/julyaugust/will-your-institution-pass-the-financial-responsibility-test
- *Evolving Higher Education Business Models: Leading with Data to Deliver Results* http://www.acenet.edu/news-room/Pages/Evolving-Higher-Education-Business-Models-Leading-with-Data-to-Deliver-Results.aspx

Survey Results

5 most important attributes for a budget model *based on FS survey*

We agree that these are not all that are important but FS survey results helped to determine the examples we focused on in the presentation. All attributes are part of the committee discussions.



Address Current Needs and Deficiencies

Annotated Version Only

So much of this is determined by how you use the model, so all models have the potential to do this.

The Z-B model is more focused on costs and spending in it's purest form and therefore may not allow for the type of planning and revenue examination needed.

ABB is very focused on exploring specifically the cost and revenue associated with various units of the University. Many of the examples are very academically focused, but model is popular among programs and divisions that must "pay for themselves". Provides data that can be used to help identify the needs and issues.

Possible resource for review:

Activity-Based Budgeting in Higher Education (Szatmary) http://files.eric.ed.gov/fulltext/EJ967809.pdf

Overall Transparency

Annotated Version Only

- Transparency can be achieved regardless of the model.

- RCM and ABB both have defined calculations for costs and revenues while incremental many times is seen in environments where budgets stay relatively stagnant
- Likewise RCM and ABB may provide information on how resources are assigned to particular centers of management but the allocation of resources could remain a closed process at that point.

- Some of the schools we talked with that have moved away from RCM have gone back to an incremental model but better ensured the process was open. This includes broader stakeholder involvement.

- Possible resources for review:
- RCM at Kent State Resources page http://www2.kent.edu/about/administration/business/rcm/aboutrcm.cfm
- RCM at Penn http://www.budget.upenn.edu/dlDocs/rcm.pdf
- ABB at U of Washington https://opb.washington.edu/activity-based-budgeting

Support Strategic Goals

Annotated Version Only

- ABB and RCM have incentives to increase revenue with cost sharing; ABB and RCM are typically seen as positive in times that enrollment is growing, but can be difficult for university level planning or programs; Both can be developed to support administrative and support areas where revenue building may be difficult and even programs that are important to the mission of the university even if they will not be able to generate enough revenue to support costs.
- Incremental has many times been implemented in a way that setting aside funds for strategic initiatives is not a natural part of the process, but this is a choice in implementation not the model itself.
- Z-B could allow for a process where programs/divisions were able to make a case for funding a new program or university designated funds for goals; also in general the regular review of allotments should mean that moneys were allocated based on strategic goals

Long-term Planning

Annotated Version Only

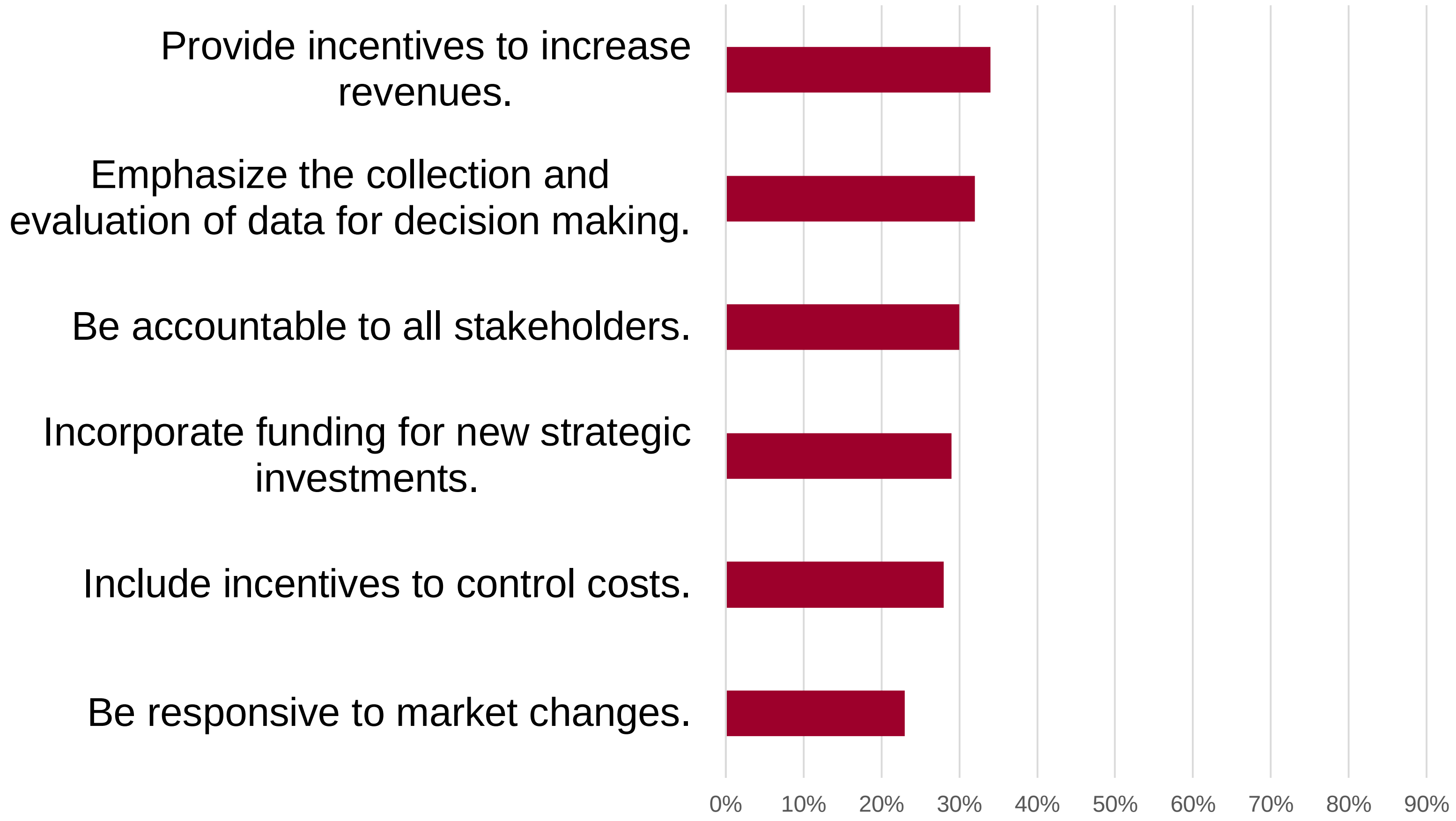
- There are concerns about RCM here due to the decentralized nature of budgeting.
- ABB/RCM are highly enrollment driven. So when enrollment was increasing or strong there were certainly funds to address larger needs.
- Any budget model will have to determine ways to provide funds for long-term development and support. One idea that has come out in several areas is the idea of whether units/programs could begin to explore possibility of rolling over funds across fiscal year to allow for multi-year budgeting to address needs and projects.

Ease of Understanding

Annotated Version Only

- It is clear that additional information and professional development must be a central part of any budget system.
- There is a recognition that significantly more data should be available for those responsible for budgeting as well as budget management can make more informed decisions.
- Further there are many indications that additional professionals development will be required. This ranges from budgeting in general to the processes associated with budgeting.
- Incremental and Z-B are the two easiest to understand and in term can be easiest to maintain.

Survey Results
Remaining attributes (ranked) for a budget model



Additional Survey Feedback

- Address compensation concerns *We will include concerns expressed in the FS survey, but the compensation committee will address this more completely.*
- Need for transparency campus-wide *Although one of the top five areas identified in the survey there were a number of open-ended comments that emphasized this attribute further. We will use these comments to expand our discussion of what transparency could mean.*
- Consider what is important to support Winthrop's mission and goals *We will address this further in report as more information is available from other planning groups.*
- Consider rollover of budgets to encourage long-term planning
- Link budget allocations with unit-level productivity *This will be fleshed out in discussion of role of incentives for revenue building as well as how to use cost management. It is important to note that although incentives for increased revenue and lower costs will likely be part of any final model, there has been on going discussion of the fact that a one-size-fits all approach is unlikely.*
- Provide easy access to data *Another significant need, but will also be a cost to consider.*
- *The committee felt reassured by the fact that the issues, comments, suggestions from the survey were very much in line with the discussions and topics we have brought to the table for discussion. We felt that we were indeed a representative group but that has been supported by the survey results.*
- *Professional development is an underlying theme addressed throughout the presentation. It has been informative to the group to explore the models, but just as informative to better understand why some changes that might seem oblivious or simple are much more complex. Certainly this also speaks to the need for more data and transparency, thus further influencing our discussions in those areas.*

Next steps for our group

- Continue evaluating and reviewing *We have not made a decision on recommendations and have been charged to provide alternatives. Some of have been very open about how the process has changed our view of a number of models we supported or did not support at the start.*

- Post presentation survey https://winthrop.qualtrics.com/SE/?SID=SV_da2oaimLBHLemBT
  - *Available until April 3rd*
  - *We welcome stories of personal experience, suggestions of resources to explore, or recommendations on additional university systems to explore.*

- Create report for the President's review that
  - Recommends budget model(s) *We expect we have discussed we would like to have two or three recommendations for models/system, but will also include what we are feel are central to any process.*
  - Suggests implementation plans and timeline *Our investigation has revealed that the timeline at other universities has typically been 3 to 5 years.*
  - Provides cost estimates *It has been suggested that we consider this process to be somewhat similar to the time and costs of the Banner transformation. There will likely be personnel costs, training costs, and material costs to name a few.*

Questions & Comments