Budget Strategies for Higher Education

- This webinar is part of our monthly webinar series to bring programming of interest to our members.
- The webinar is eligible for CPE. If you are interested in receiving CPE credit for this webinar, please e-mail me (Marty Mickey) at mmickey@nl.edu now. During the webinar, there will be four check-in questions for you to answer. **In order to receive CPE, you must answer three of these questions.**
- Copies of the slides for this presentation and a recording of the webinar will be available on the CACUBO website in a couple of days.
- We will send out a survey afterwards to solicit thoughts and topics for future webinars. If you would be willing to present in a future webinar, please e-mail me at mmickey@nl.edu.
- Save space on your calendars for the 2024 CACUBO Annual Conference which is September 29-October 1 in Indianapolis. Great networking and CPE opportunities. Also, our Accounting and Business Operations Workshop in Des Moines is scheduled for May 5-8. Go to the CACUBO website for more details.

Agenda

Introductions

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Current Budget Challenges

REVENUE SOURCES	BUDGET ALLOCATIONS
State allocations decreasing and/or unstable	Instructional programs
Enrollment trends decreasing	Student support
Endowments reduced rate of return	Administration and operations

POLLING QUESTION #1

Which situation best describes your institution’s current revenue forecast?

A. Revenues are increasing and stable
B. Revenues are increasing and unstable
C. Revenues are stable
D. Revenues are decreasing and stable
E. Revenues are decreasing and unstable

Popular Budget Models

- Incremental
- Performance-based
- Activity-based
- Incentive-based

POLLING QUESTION #2

What budget model does your institution currently use?

A. Incremental
B. Performance-based
C. Activity-based
D. Incentive-based
E. Other

Incremental Budgeting

Last year

This year

Incremental Budgeting

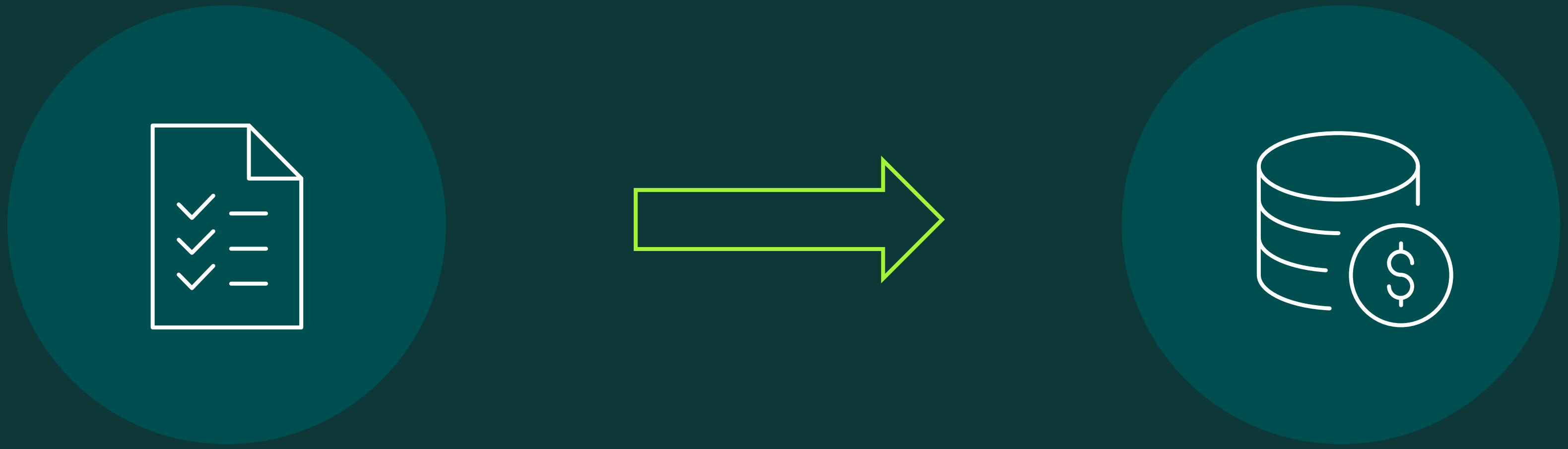
PROS	CONS
• Easy to implement • Provides stability in expectations across functions • Highly predictable, resulting in easier forecasts • Reduces internal discussions over resource allocations	• Limited ability to align resources with strategic goals • Lacks incentive for a review of costs • Does not account for operational changes (internal or external) • Less connection between costs, revenues, and performance

Incremental Budgeting

WORKS BEST WHEN:

- Goals and objectives are stable year over year
- Conservative institutional leadership
- Stable funding sources

Performance-Based Budgeting



Performance-Based Budgeting

PROS	CONS
• Emphasis on measuring outcomes and performance • Fosters competition between academic programs to perform • Intentional and explicit alignment between resources and results • Incentivizes performance	• Potential to under resource weak areas and perpetuate poor performance • Additional time dedicated to understanding performance drivers or inhibitors as part of the budget process • Competitive behaviors among academic programs

Performance-Based Budgeting

WORKS BEST WHEN:

- Leaders (internal or external) demand greater accountability
- Demands for transparency on how funds are being expended
- Institution has clearly defined performance metrics and monitoring mechanisms in place

Activity-Based Budgeting

Activity-Based Budgeting

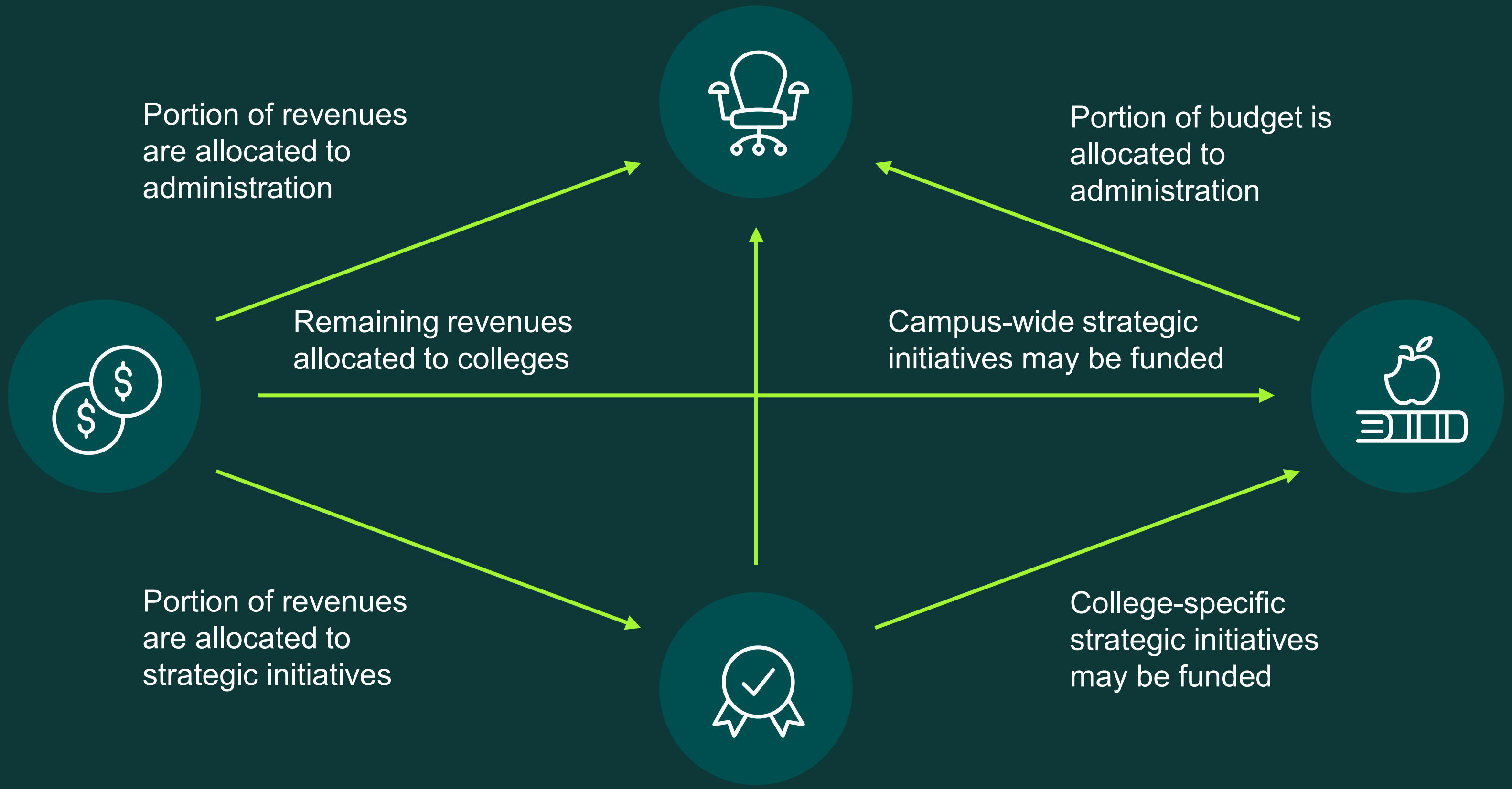
PROS	CONS
• Clearly links revenues to strategic objectives • May support increased revenue • Empowers local planning and accountability for resources • Incentivizes efficient management of resources • Enhanced understanding of costs to perform activities	• Requires substantial time and resources to set up • Takes approximately three years to implement • Activities that don't generate revenue may be under supported • Incentivizes revenue production even if activity doesn't align with strategic goals

Activity-Based Budgeting

WORKS BEST WHEN:

- Historical cost data is available to evaluate the cost of providing services and promote accurate budgeting
- Organizational transformation such as expanding a school, starting a new school, opening a new campus, etc.
- Adequate budget and fiscal expertise and resources exist within each unit

Incentive-Based Budgeting



Incentive-Based Budgeting

Allocates funding based on specific activities and metrics; indirect costs and strategic initiatives are paid by revenue-generating units.

PROS	CONS
• Delegates operational authority to each school • Empowers deans to pursue additional revenue sources and effectively manage costs • Provides transparency into budgeting decisions • Enhances high-demand programs	• May result in competition for students among colleges, which can result in duplicate core course offerings • Greater focus on revenue-producing courses may result in • Resources are tied to outputs (e.g., enrollment) rather than outcomes (e.g., graduation rate, student experience)

Incentive-Based Budgeting

WORKS BEST WHEN:

- Institution has a clearly defined strategy and goals
- Funding sources are unstable or declining and shortfalls should not be shared equally
- Strong central administration to provide incentives that encourage collaboration
- Adequate budget and fiscal expertise and resources exist within each unit

POLLING QUESTION #3

Which budget methodology do you think your organization would benefit from the most?

A. Incremental
B. Performance-based
C. Activity-based
D. Incentive-based
E. Other

What Type of Budget Methodology Is Right for You?

- Mission, vision, and values
- Size and history
- Centralized versus decentralized
- Revenue sources and stability
- Establish budget principles

Budgeting Best Practices

- Align limited resources with strategic priorities
- Financial forecasting
- Stakeholder participation
- Budget versus actual monitoring
- Performance monitoring

Budgeting and Performance

Link performance measures to budget allocations

Establish clear, time-bound performance targets	Consider performance measure needs in budget development

Allocate resources based on performance

Develop incentive structures to reward performance	Align resources with performance measure aspirations

Monitor and report on performance and spend

Conduct budget reviews relative to performance measures	Make budget adjustments as necessary to support performance

POLLING QUESTION #4

What proportion of your budgeting process is automated?

A. 0%, we rely on manual processes
B. 1-50%, we have small amounts of automation
C. 51-75%, we have quite a bit of automation
D. 76-100%, we have automated budgeting development and reporting

Automate for Higher Value Activities

Strategic

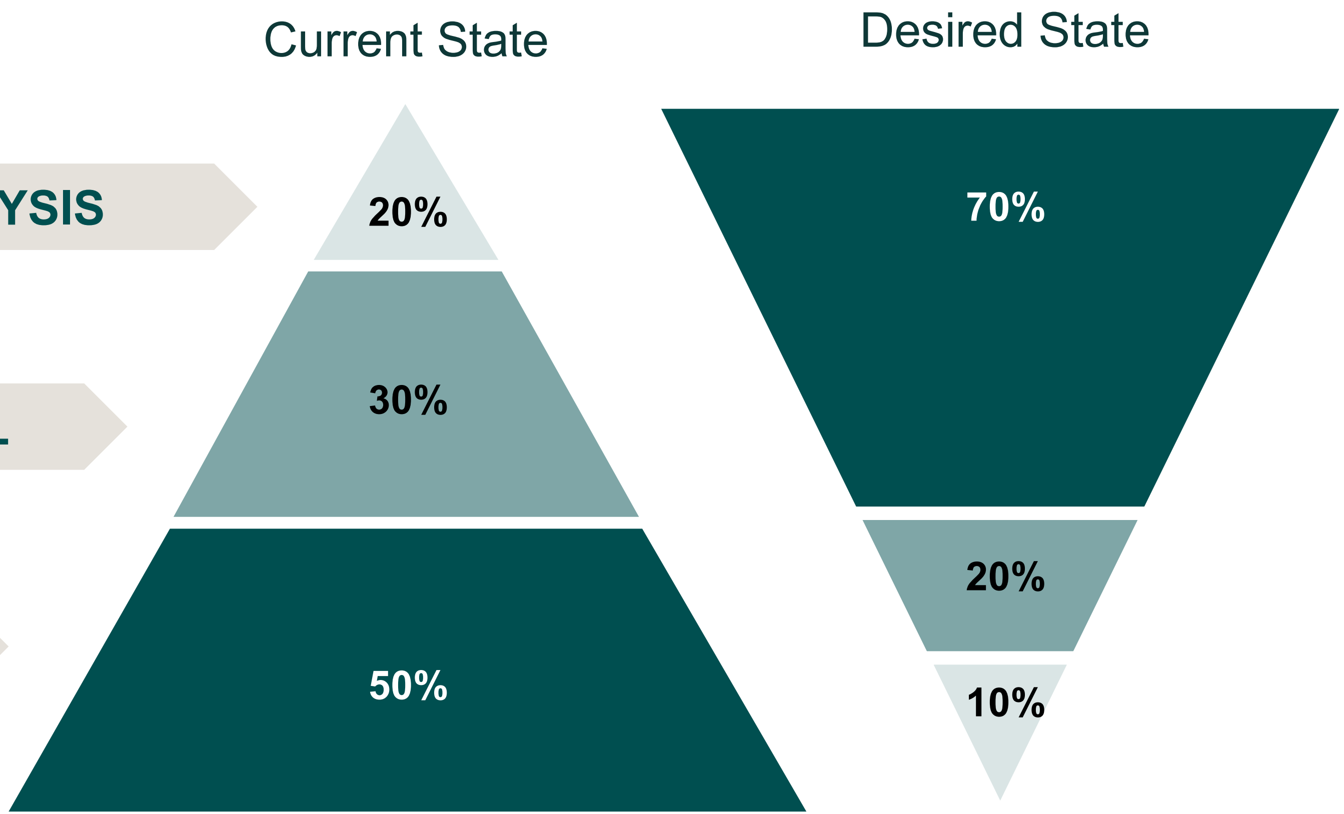
BUSINESS INSIGHTS ANALYSIS

Drives better decision making

REPORTING AND CONTROL

DATA OPERATIONS

Tactical



Information Shelf Life

DELIVERING INFORMATION IN THE DECISION-MAKING WINDOW ADDS SIGNIFICANT BUSINESS VALUE

"What is happening?"

"What happened?"

There is a significant difference in business value between these questions

Planning in Higher Education

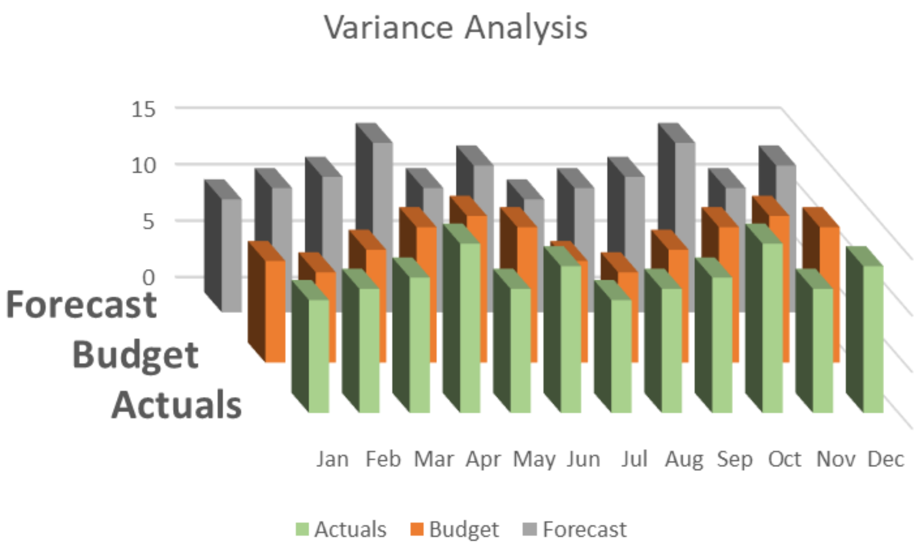
- Incorporating business metrics with the financial metrics
- Automated structured reporting
- Enrollment
- Centralized planning platform for various offices
- Student services
  - Tuition
  - Room
  - Board
  - Financial aid
  - Facilities
- Full labor cost planning

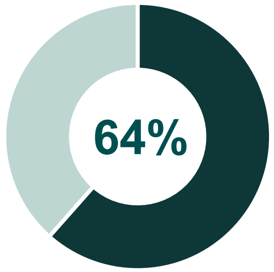
Embed Planning

EMBED PLANNING IN DATA ANALYTICS FOR KEEN INSIGHTS

Comparative analysis across multiple forecasting versions provides important insights for decision making

- **A target makes a metric meaningful**
- Highlight what has changed
- Reveal developing trends
- Agility needs real-time comparisons
- Decisions need actuals to-date plus forecast





of annual targets are obsolete in 4–6 months

Connect With Us!

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