

Budget Model Initiative DRAFT Revised Budget Process

November 3, 2015

Initiative Resources
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Agenda

- Overview New Budget Process Proposal
 - Approach, Milestones, Process Map, Reports
- Review Governance Structure
 - Overview, Curriculum Committees
- Provide Next Steps
 - Preparations for FY18 Budget Development

New Budget Process Proposal

Process Development Approach

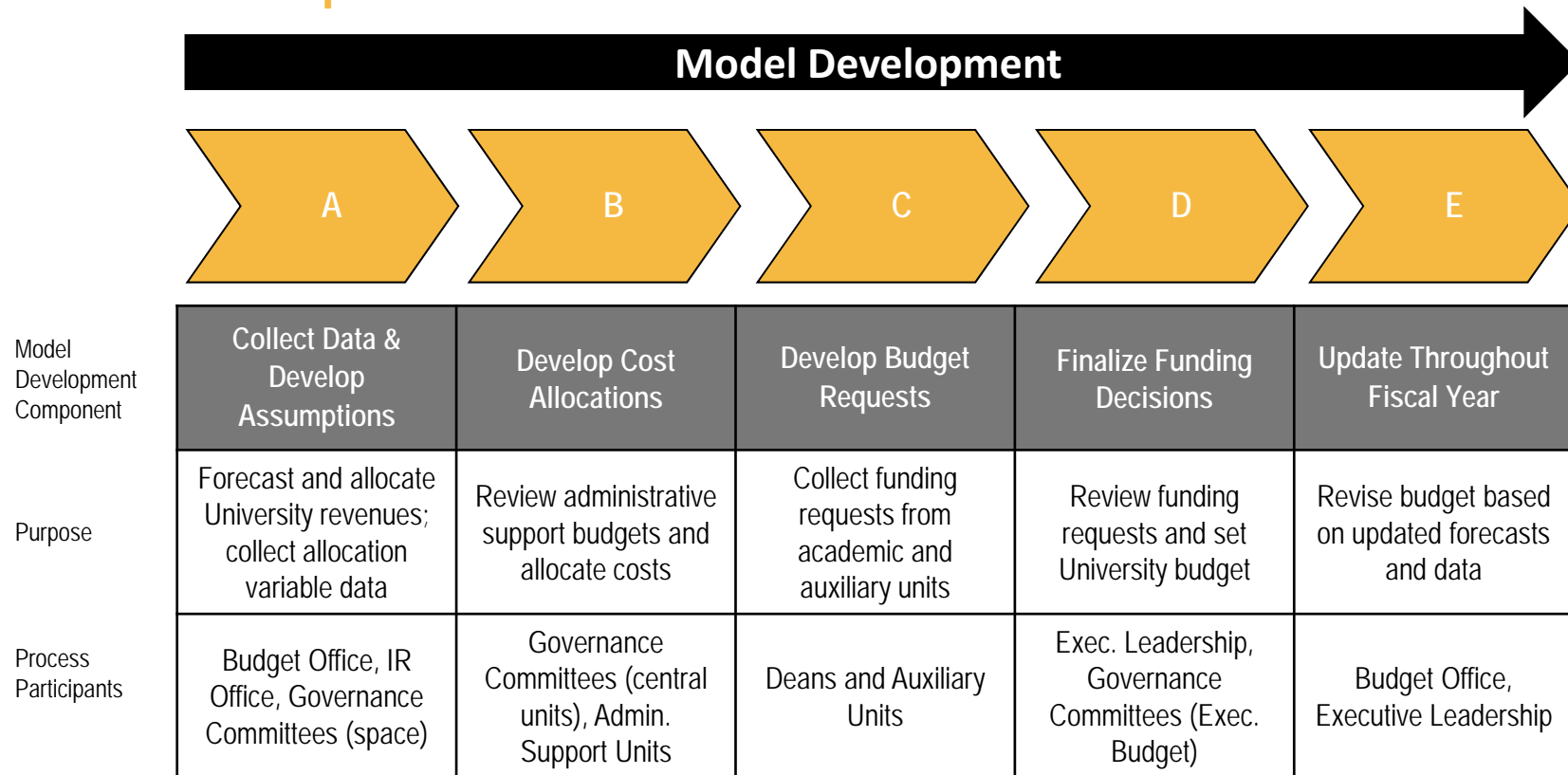
The development of the new budget process with the Budget Office included the following activities:

- Mapped current budget development process
- Worked with the Budget Office to integrate model development activities
- Developed templates to distribute for units to create budget proposals
- Met with budget development stakeholders to understand key timelines
- Leveraged best practices seen at other institutions

Note: All materials presented are draft and subject to change based on feedback from stakeholder groups.

Budget Process Overview

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



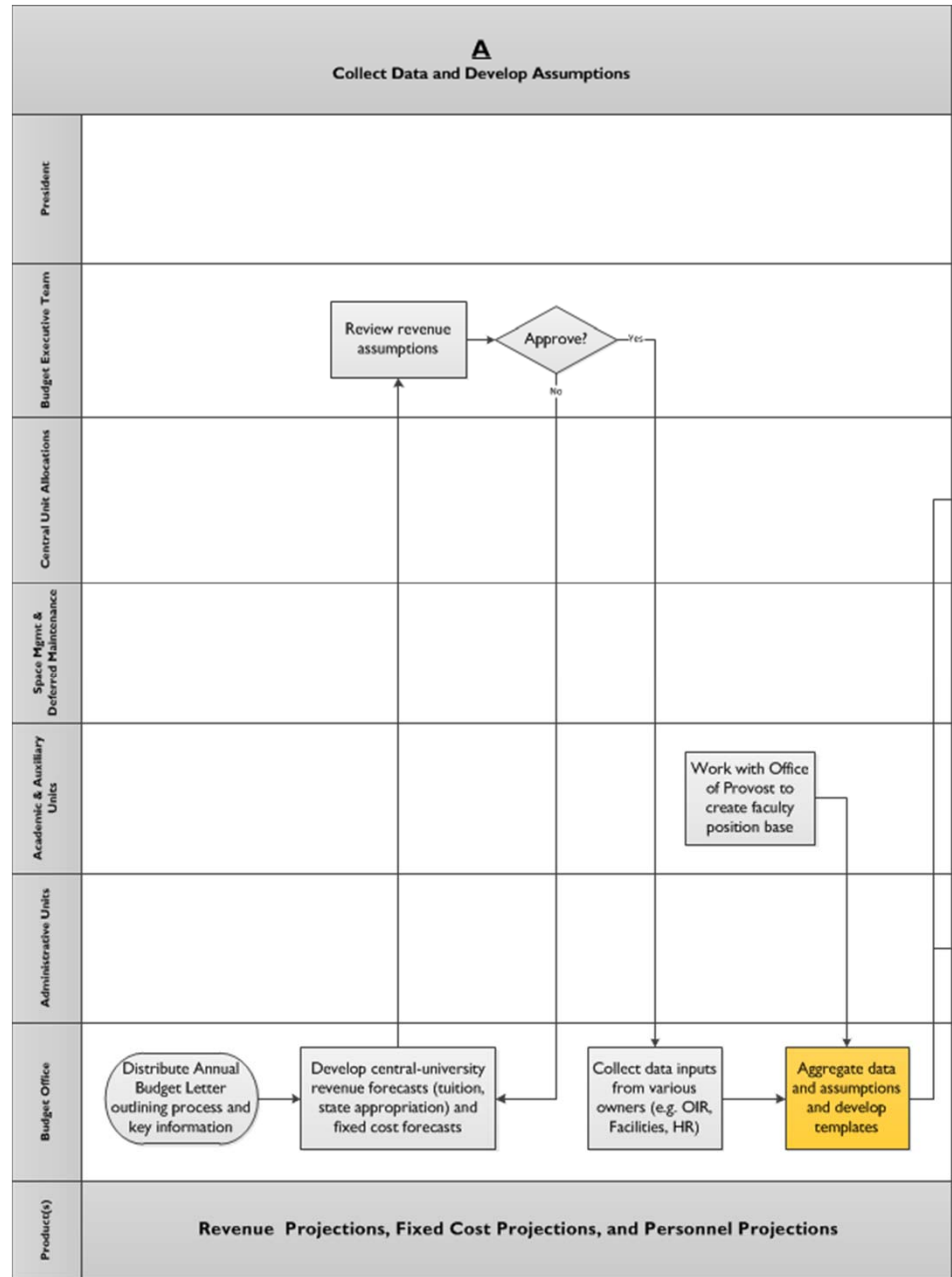
The subsequent slides detail the activities for completing each milestone of the proposed process.





Collect Data & Develop Assumptions

- The budget process kicks off with the distribution of the Annual Budget Letter, which contains a high-level summary of the budget environment, key dates, etc.
- The Budget Office will forecast University-wide revenue & fixed cost assumptions (tuition, appropriations, etc.) that will be reviewed by the Budget Executive Committee
- Consistent with current processes, the Office of the Provost and Budget Office prepare the Faculty and Administrative Staff position bases, respectively, which will later be used to populate the salary lines of the model income statement



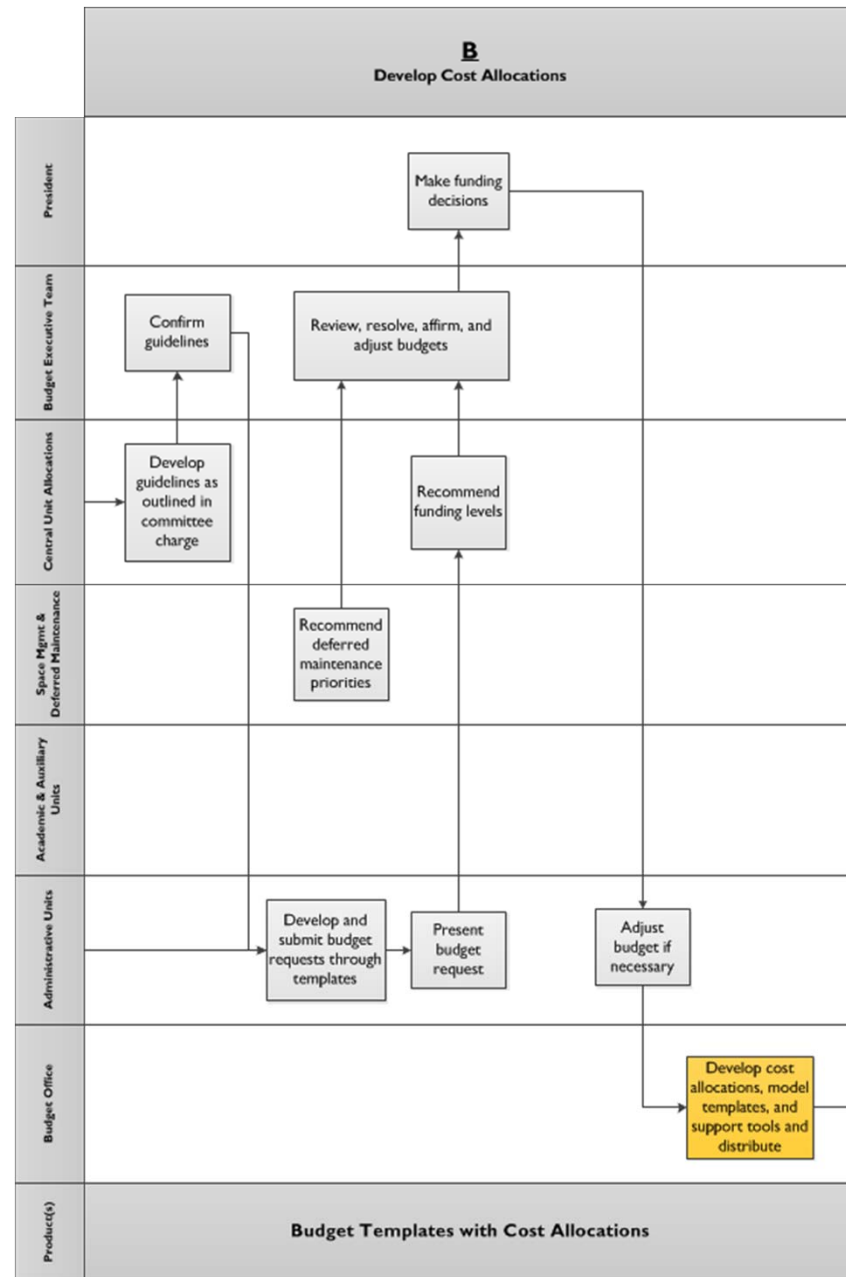
Sept. – Oct.
(proposed)

*Gold cells contain additional detail in the Illustrative Section



Develop Cost Allocations

- The Central Unit Allocations Committee will distribute guidelines for administrative budget proposals
- Administrative units will develop and present budget requests to the Central Unit Allocations Committee, highlighting the services provided and attendant costs
- The Central Unit Allocations Committee will recommend funding levels (relative to prior year) to the Budget Executive Committee
- Ultimately the President will make final funding decisions regarding all requests
- Once all administrative budgets have been finalized, the Budget Office will calculate the assessment of administrative costs and allocate them across academic units



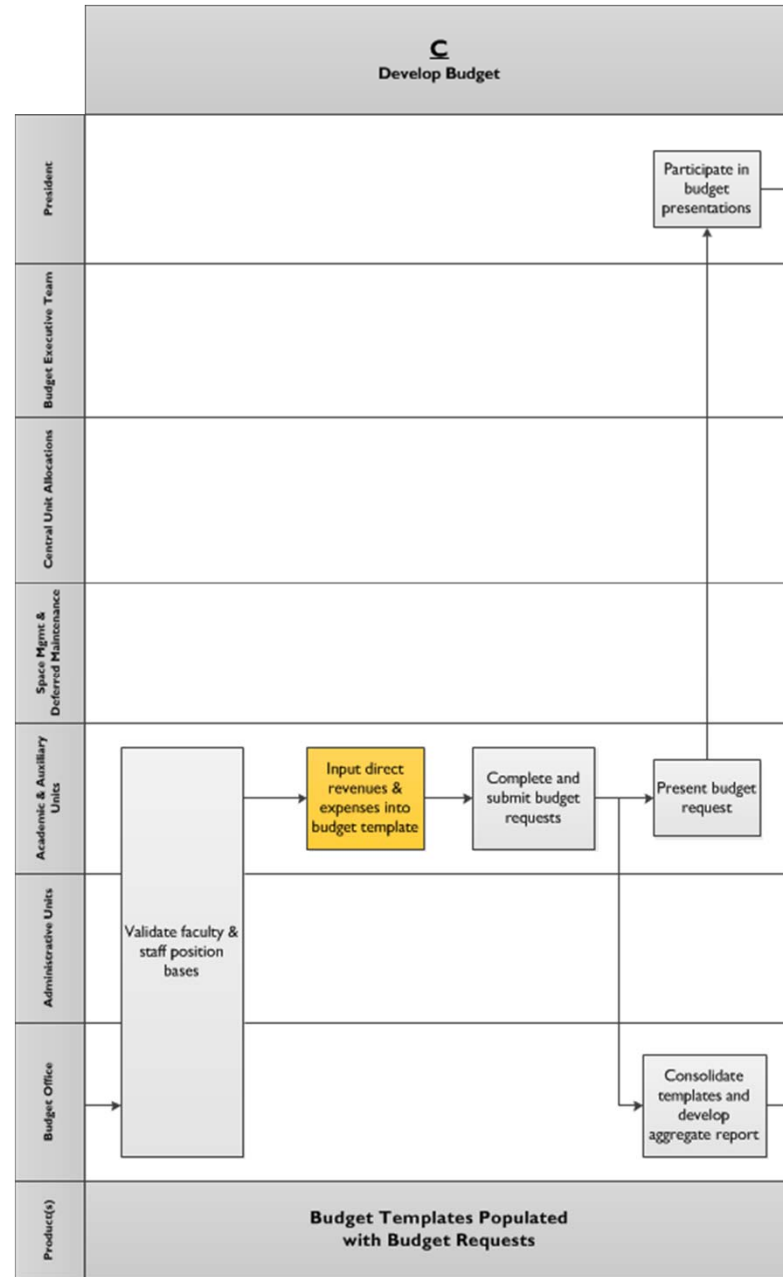
Nov. – Dec.
(proposed)

*Gold cells contain additional detail in the Illustrative Section



Develop Budget Requests

- Once the administrative cost allocations have been distributed, academic units will receive templates with their formula-allocated revenues and indirect cost allocations pre-populated
- Templates will also contain the prior year data for direct revenues and expenses
- Units will make budget requests through adjustments to prior year's direct revenues and expenses
- Units will submit requests and the Budget Office will start to create a consolidated, university-wide budget consisting of all budget requests to be updated after the President finalizes funding decisions
- Academic and Auxiliary Units will present their budget requests to the President, focusing on variances from prior year and the unit's requested central investment



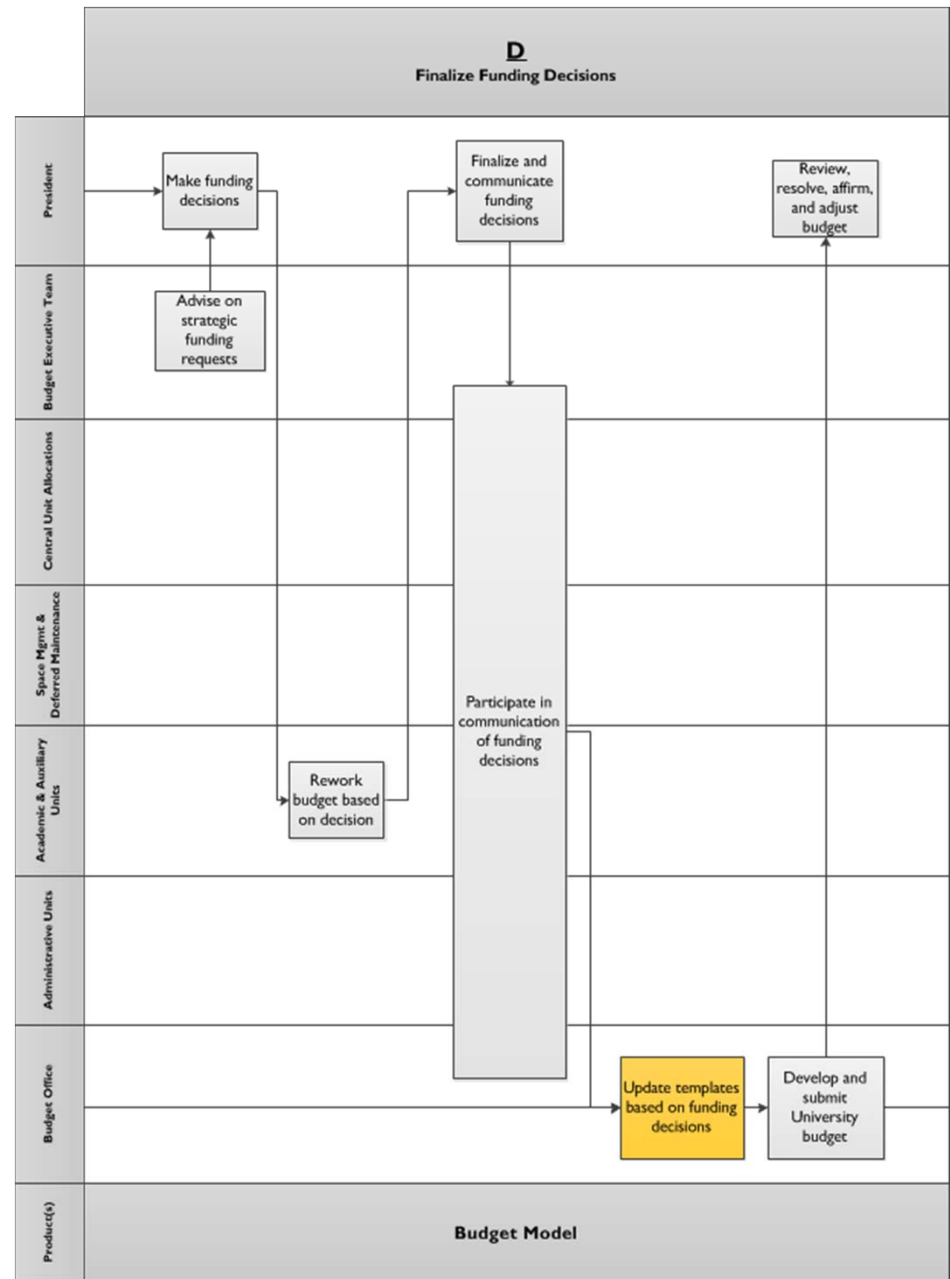
Jan. – Mar.
(proposed)

*Gold cells contain additional detail in the Illustrative Section



Finalize Funding Decisions

- Ultimately the President will make final decisions regarding all funding requests with consultation from campus advisors
- Based on funding decisions, academic and auxiliary units will make budget adjustments as needed
- All stakeholders will participate in the communication of funding decisions
- The Budget Office will update the university-wide aggregate report after all funding decisions are finalized and submit it to the President for final approval



Apr. – May
(proposed)

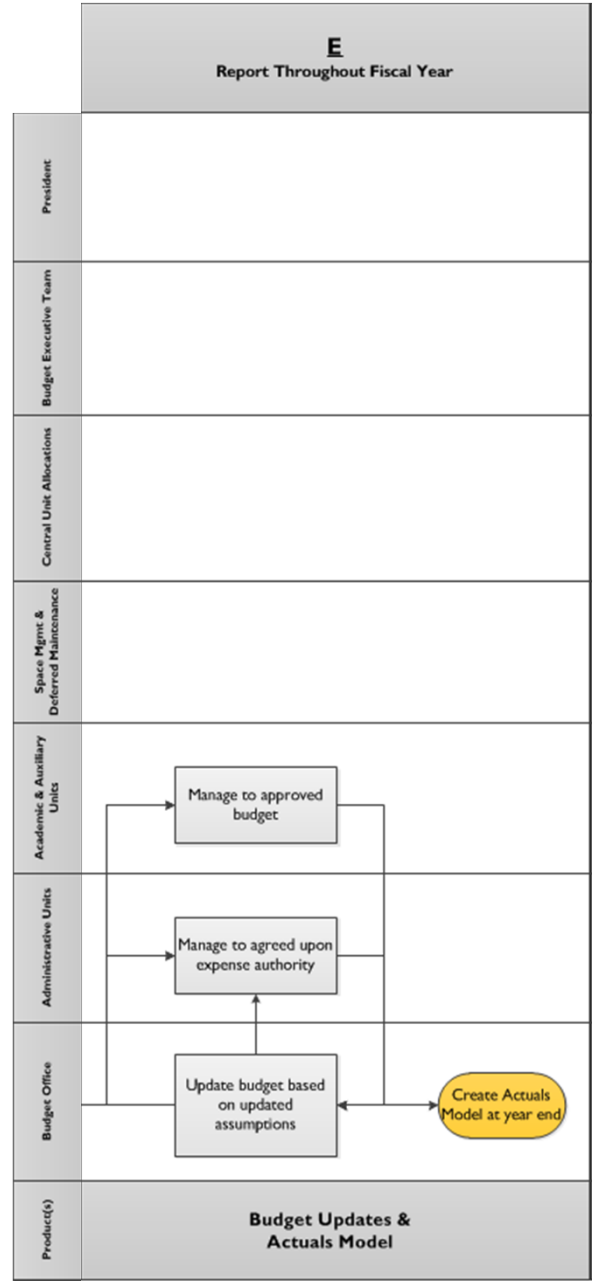
*Gold cells contain additional detail in the Illustrative Section



Update Throughout Fiscal Year

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

All units are expected to spend within approved budget



Jul. – Jun.
(proposed)

*Gold cells contain additional detail in the Illustrative Section

Model Development Timelines

The table below represents how budget development processes will overlap for multiple fiscal years.

	7/1/2016 through 6/30/2017	7/1/2017 through 6/30/2018	7/1/2018 through 6/30/2019	FY20
FY18 Budget				
FY19 Budget				
FY20 Budget				

- A** - Collect Data & Develop Assumptions
- B** - Develop Cost Allocations
- C** - Develop Budget Requests
- D** - Finalized Funding Decisions

- E₁** - Updated Budget
- E₂** - Updated Budget
- E** - Actuals Model



Notable Changes: Old vs. New

The proposed changes to the current budget development process can be categorized into four areas.

Variables Collection

The new budget model requires the collection of additional data from sources and stakeholders not previously engaged in the budget development process.

Template Creation & Distribution

New templates will be used that reflect all the necessary data inputs for building the budget in the model format.

Budget Proposal Cycle

Timelines and content for budget proposals, particularly for administrative support units, will vary from current timelines under the new process.

Data Consolidation

The Budget Office will take on a new role in collecting templates and creating the necessary reports based on model information to support budget development.



Reports

Reports will serve the purpose of distributing model content to units, as well as providing calculation detail and model analyses.

Purpose of Information

Distribute model content



Distribute underlying model details



Conduct analyses based on model information



Example Reports

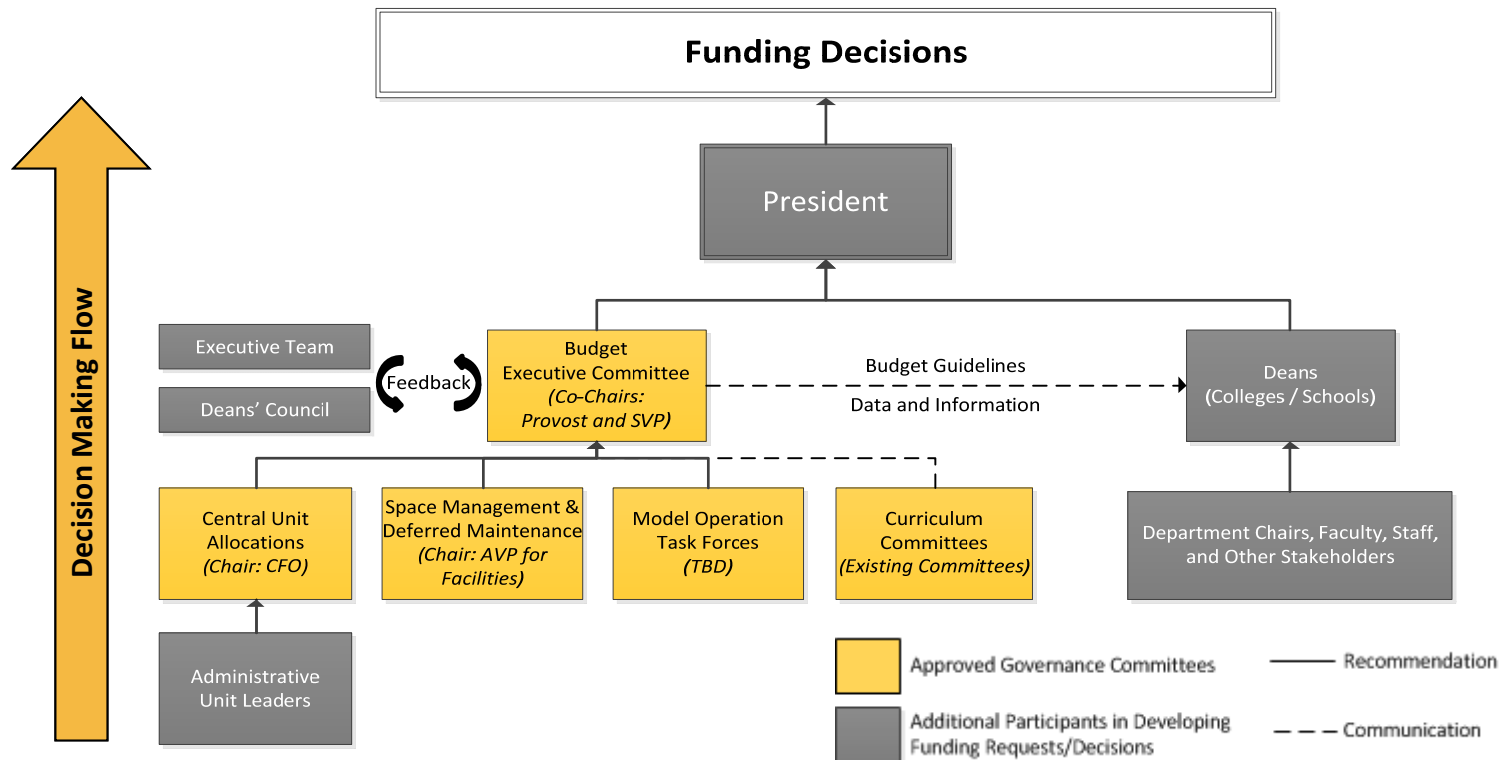
- University-Wide Income Statement
- Individual Budget Templates
- GL Detail
- Allocation Reports (and Variables)
- Scenario Planning
- Trend Analyses



Governance Structure

Governance Overview

The Governance Structure below provides an illustration of the different committees and stakeholder groups that will be involved in the budget development process.

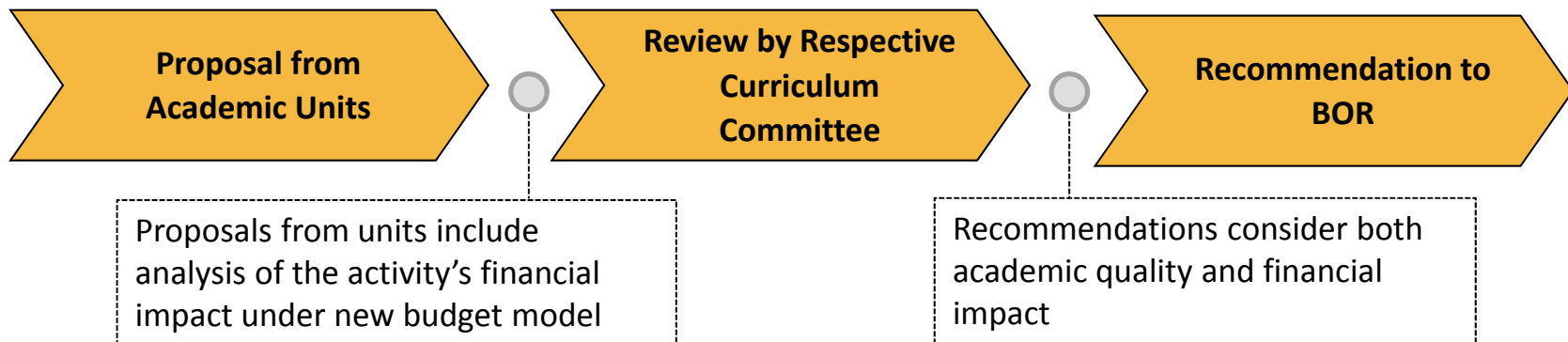


Curriculum Committees

Roles

- Review curriculum and programmatic proposals submitted by respective academic units
- Incorporate budget model impact / scenario analyses into proposal review process
- Develop recommendations based on review of academic considerations, informed but not constrained by awareness of budgetary impact

Proposal Review Process



The academic proposal and review process remains the same but includes communication with the Budget Executive Committee for informative purposes.



Next Steps

Next Steps

Huron

- Review proposed budget process with Staff Congress Executive Committee and Steering Committee
- Collect feedback from discussions and incorporate into document

NKU

- Provide Huron with feedback on revised budget process
- Work with Deans to support successful transition to new budget model

Appendix



Illustrative Budget Template

- Once revenue assumptions are set, the Budget Office can calculate formula-driven revenue allocations on a unit-by-unit basis
- Allocations will change year-over-year based on 1) the forecasted revenue total and 2) each unit's proportion of the allocation variable (e.g., credit hours instructed)
- While revenue allocations can be calculated at this time, they are not necessary in order to proceed with the next step of the process – setting administrative support funding levels

FY16 Budget Request		College of X				
		FY14 B	FY15 B	FY15 A	Budget Req	Variance
Allocation	<u>Revenues</u>					
Formula	ALLOCATED TUITION	63,702,685	63,702,685	62,702,685	63,000,500	(702,185)
Direct	STUDENT FEE	315,000	311,500	310,000	-	-
Formula	AID AND WAIVERS	(10,000,000)	(9,533,989)	(9,522,989)	(9,750,000)	(216,011)
	Net Tuition and Fees	54,017,685	54,480,195	53,489,695	53,250,500	-
Direct	OTHER REVENUE	4,239,019	4,128,492	4,098,287	-	-
Direct	OTHER REVENUE	-	1,389,891	1,230,298	-	-
	Total Revenues	58,256,704	59,998,578	58,818,280	53,250,500	-
	<u>Direct Expenses</u>					
Direct	TOTAL COMPENSATION	19,143,379	19,311,709	20,747,593	-	-
Direct	OTHER DIRECT EXPENSES	100,447	668,815	100,447	-	-
Direct	OTHER DIRECT EXPENSES	1,886,225	2,917,019	1,837,874	-	-
	Total Direct Expenses	21,130,052	22,897,543	22,685,914	-	-
	Margin (Revenues - Direct Expense)	56,186,693	56,271,603	55,333,139	-	-
Allocation	INDIRECT EXPENSE ALLOCATION 1	-	-	-	-	-
Allocation	INDIRECT EXPENSE ALLOCATION 2	-	-	-	-	-
Allocation	Total Indirect Expense Allocations	-	-	-	-	-
	Total Expenditures	21,130,052	22,897,543	22,685,914	-	-
	Margin After Indirect Exp Allocations	56,186,693	56,271,603	55,333,139	-	-
0%	Less Deferred Maintenance (DM)	-	-	-	-	-
Formula	Less Contributions to Revenue Reserves	-	-	-	-	-
15%	Less Central Revenue Pool Participation	8,738,505.54	8,999,787	8,822,742.04	-	-
Manual	Plus Central Revenue Distribution*	1,831,781	2,676,740	3,801,703	-	-
	Ending Unit Margin	-	-	-	-	-



Illustrative Budget Template

- Each administrative unit will start with a blank template in which to populate its budget request; templates will include numbers from previous models to aid trend analysis
- Request is made and presented to Central Unit Allocations Committee, highlighting variances from the prior year's budget and their impact on administrative services

Allocation	FY16 Budget Request	Administrative Unit Y				
		FY16 B	FY16 A	FY17 B	Budget Req	Variance
<u>Revenues</u>						
Formula	ALLOCATED TUITION	-	-	-	-	-
Direct	STUDENT FEE	-	-	-	-	-
Formula	AID AND WAIVERS	-	-	-	-	-
Net Tuition and Fees		-	-	-	-	-
Direct	OTHER REVENUE	1,293,847	1,429,348	1,094,732	1,100,000	5,268
Direct	OTHER REVENUE	1,382,736	1,389,891	1,872,637	1,862,700	(9,937)
Total Revenues		2,676,583	2,819,239	2,967,369	2,962,700	(4,669)
<u>Direct Expenses</u>						
Direct	TOTAL COMPENSATION	1,914,337	1,931,170	2,074,759	2,075,000	241
Direct	OTHER DIRECT EXPENSES	100,447	103,892	100,232	101,000	768
Direct	OTHER DIRECT EXPENSES	1,886,225	1,920,433	1,837,874	1,840,000	2,126
Total Direct Expenses		3,901,009	3,955,495	4,012,865	4,016,000	3,135
Margin (Revenues - Direct Expense)		(1,224,426)	(1,136,256)	(1,045,496)	(1,053,300)	(1,534)



Illustrative Budget Template

- Once all administrative budgets have been finalized, the Budget Office will calculate the assessment of administrative costs and allocate them across academic units
- Each academic unit will be provided with a blank template that includes revenue and cost allocations for the upcoming budget, and numbers from previous models to aid trend analysis

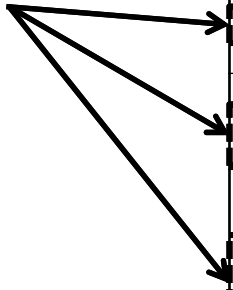
FY16 Budget Request		College of X				
		FY14 B	FY15 B	FY15 A	Budget Req	Variance
Allocation	<u>Revenues</u>					
Formula	ALLOCATED TUITION	63,702,685	63,702,685	62,702,685	63,000,500	(702,185)
Direct	STUDENT FEE	315,000	311,500	310,000		
Formula	AID AND WAIVERS	(10,000,000)	(9,533,989)	(9,522,989)	(9,750,000)	(216,011)
	Net Tuition and Fees	54,017,685	54,480,195	53,489,695	53,250,500	(1,229,695)
Direct	OTHER REVENUE	4,239,019	4,128,492	4,098,287	-	
Direct	OTHER REVENUE	-	1,389,891	1,230,298	-	
	Total Revenues	58,256,704	59,998,578	58,818,280	53,250,500	(6,748,078)
	<u>Direct Expenses</u>					
Direct	TOTAL COMPENSATION	19,143,379	19,311,709	20,747,593	-	
Direct	OTHER DIRECT EXPENSES	100,447	668,815	100,447	-	
Direct	OTHER DIRECT EXPENSES	1,886,225	2,917,019	1,837,874	-	
	Total Direct Expenses	21,130,052	22,897,543	22,685,914	-	-
	Margin (Revenues - Direct Expense)	37,126,652	37,101,035	36,132,367	53,250,500	-
Allocation	INDIRECT EXPENSE ALLOCATION 1	17,236,543	16,948,595	17,128,394	17,200,000	251,405
Allocation	INDIRECT EXPENSE ALLOCATION 2	12,983,384	13,829,394	13,982,934	14,000,000	170,606
Allocation	Total Indirect Expense Allocations	30,219,927	30,777,989	31,111,328	31,200,000	422,011
	Total Expenditures	51,349,979	53,675,532	53,797,242	31,200,000	(22,475,532)
	Margin After Indirect Exp Allocations	6,906,725	6,323,046	5,021,039	22,050,500	-
0%	Less Deferred Maintenance (DM)	-	-	-	-	-
Formula	Less Contributions to Revenue Reserves	-	-	-	-	-
15%	Less Central Revenue Pool Participation	8,738,506	8,999,787	8,822,742	-	(8,999,787)
Manual	Plus Central Revenue Distribution*	1,831,781	2,676,740	3,801,703	-	(2,676,740)
	Ending Unit Margin	-	-	-	-	-





Illustrative Budget Template

- Colleges will input direct revenues and expenses associated with their units, representing the college's budget proposal
- Changes relative to the prior year's budget will be captured in the "Variance" column of the budget template
- Bottom lines do not need to be positive, as it represents the need for support from Central Funds



		FY16 Budget Request			College of X	
		FY14 B	FY15 B	FY15 A	Budget Req	Variance
Allocation	<u>Revenues</u>					
Formula	ALLOCATED TUITION	63,702,685	63,702,685	62,702,685	63,000,500	(702,185)
Direct	STUDENT FEE	315,000	311,500	310,000	314,000	2,500
Formula	AID AND WAIVERS	(10,000,000)	(9,533,989)	(9,522,989)	(9,750,000)	(216,011)
	Net Tuition and Fees	54,017,685	54,480,195	53,489,695	53,564,500	(915,695)
Direct	OTHER REVENUE	4,239,019	4,128,492	4,098,287	4,100,000	(28,492)
Direct	OTHER REVENUE		1,389,891	1,230,298	1,225,000	(164,891)
	Total Revenues	58,256,704	59,998,578	58,818,280	58,889,500	(1,109,078)
	<u>Direct Expenses</u>					
Direct	TOTAL COMPENSATION	19,143,379	19,311,709	20,747,593	21,250,000	1,938,291
Direct	OTHER DIRECT EXPENSES	100,447	668,815	100,447	423,000	(245,815)
Direct	OTHER DIRECT EXPENSES	1,886,225	2,917,019	1,837,874	1,815,000	(1,102,019)
	Total Direct Expenses	21,130,052	22,897,543	22,685,914	23,488,000	590,457
	Margin (Revenues - Direct Expense)	37,126,652	37,101,035	36,132,367	35,401,500	(1,699,535)
Allocation	INDIRECT EXPENSE ALLOCATION 1	17,236,543	16,948,595	17,128,394	17,200,000	251,405
Allocation	INDIRECT EXPENSE ALLOCATION 2	12,983,384	13,829,394	13,982,934	14,000,000	170,606
Allocation	Total Indirect Expense Allocations	30,219,927	30,777,989	31,111,328	31,200,000	422,011
	Total Expenditures	51,349,979	53,675,532	53,797,242	54,688,000	1,012,468
	Margin After Indirect Exp Allocations	6,906,725	6,323,046	5,021,039	4,201,500	(2,121,546)
0%	Less Deferred Maintenance (DM)	-	-	-	-	-
Formula	Less Contributions to Revenue Reserves	-	-	-	-	-
15%	Less Central Revenue Pool Participation	8,738,505	8,999,786	8,822,742	8,833,425	(166,362)
Manual	Plus Central Revenue Distribution*	1,831,781	2,676,740	3,801,703	-	-
	Ending Unit Margin	-	-	-	(4,631,925)	-

Variations for direct revenues and expenses must be qualified in some manner as part of the annual budget request.





Illustrative Budget Template

- After Colleges (and Auxiliary Units) present their budgets, the President makes funding decisions
- Funding decisions reflect:
 - Authorized spending levels (i.e., direct expense budgets)
 - Reinvestment of central funds to balance unit budgets

FY16 Budget Request		College of X				
		FY14 B	FY15 B	FY15 A	FY16 B	Variance
Allocation	<u>Revenues</u>					
Formula	ALLOCATED TUITION	63,702,685	63,702,685	62,702,685	63,000,500	(702,185)
Direct	STUDENT FEE	315,000	311,500	310,000	314,000	2,500
Formula	AID AND WAIVERS	(10,000,000)	(9,533,989)	(9,522,989)	(9,750,000)	(216,011)
	Net Tuition and Fees	54,017,685	54,480,195	53,489,695	53,564,500	(915,695)
Direct	OTHER REVENUE	4,239,019	4,128,492	4,098,287	4,100,000	(28,492)
Direct	OTHER REVENUE	-	1,389,891	1,230,298	1,225,000	(164,891)
	Total Revenues	58,256,704	59,998,578	58,818,280	58,889,500	(1,109,078)
	<u>Direct Expenses</u>					
Direct	TOTAL COMPENSATION	19,143,379	19,311,709	20,747,593	21,250,000	1,938,291
Direct	OTHER DIRECT EXPENSES	100,447	668,815	100,447	423,000	(245,815)
Direct	OTHER DIRECT EXPENSES	1,886,225	2,917,019	1,837,874	1,815,000	(1,102,019)
	Total Direct Expenses	21,130,052	22,897,543	22,685,914	23,488,000	590,457
	Margin (Revenues - Direct Expense)	37,126,652	37,101,035	36,132,367	35,401,500	(1,699,535)
Allocation	INDIRECT EXPENSE ALLOCATION 1	17,236,543	16,948,595	17,128,394	17,200,000	251,405
Allocation	INDIRECT EXPENSE ALLOCATION 2	12,983,384	13,829,394	13,982,934	14,000,000	170,606
Allocation	Total Indirect Expense Allocations	30,219,927	30,777,989	31,111,328	31,200,000	422,011
	Total Expenditures	51,349,979	53,675,532	53,797,242	54,688,000	1,012,468
	Margin After Indirect Exp Allocations	6,906,725	6,323,046	5,021,039	4,201,500	(2,121,546)
0%	Less Deferred Maintenance (DM)	-	-	-	-	-
Formula	Less Contributions to Revenue Reserves	-	-	-	-	-
15%	Less Central Revenue Pool Participation	8,738,505	8,999,786	8,822,742	8,833,425	(166,362)
Manual	Plus Central Revenue Distribution*	1,831,781	2,676,740	3,801,703	4,631,925	1,955,185
	Ending Unit Margin	-	-	-	-	-

Units may need to adjust their budgets based on the President's authorized funding level.





Illustrative Budget Template

- The budget is updated throughout the fiscal year as better information is available to refine forecasts
- An actuals model is created at the end of the fiscal year that reflects actual revenues and direct expenses, and budgeted administrative cost allocations and budgeted central fund distribution

		College of X					Variance
		FY16 Budget Request	FY15 B	FY15 A	FY16 B	FY16 A	
Allocation	<u>Revenues</u>						
Formula	ALLOCATED TUITION	63,702,685	62,702,685	63,000,500	62,945,067	(55,433)	
Direct	STUDENT FEE	311,500	310,000	314,000	316,500	2,500	
Formula	AID AND WAIVERS	(9,533,989)	(9,522,989)	(9,750,000)	(9,765,398)	(15,398)	
	Net Tuition and Fees	54,480,195	53,489,695	53,564,500	53,496,169	(68,331)	
Direct	OTHER REVENUE	4,128,492	4,098,287	4,100,000	4,150,000	50,000	
Direct	OTHER REVENUE	1,389,891	1,230,298	1,225,000	1,203,495	(21,505)	
	Total Revenues	59,998,578	58,818,280	58,889,500	58,849,664	(39,836)	
	<u>Direct Expenses</u>						
Direct	TOTAL COMPENSATION	19,311,709	20,747,593	21,250,000	21,076,394	(173,606)	
Direct	OTHER DIRECT EXPENSES	668,815	100,447	423,000	345,892	(77,108)	
Direct	OTHER DIRECT EXPENSES	2,917,019	1,837,874	1,815,000	1,829,345	14,345	
	Total Direct Expenses	22,897,543	22,685,914	23,488,000	23,251,631	(236,369)	
	Margin (Revenues - Direct Expense)	37,101,035	36,132,367	35,401,500	35,598,033	196,533	
Allocation	INDIRECT EXPENSE ALLOCATION 1	16,948,595	17,128,394	17,200,000	17,200,000	-	
Allocation	INDIRECT EXPENSE ALLOCATION 2	13,829,394	13,982,934	14,000,000	14,000,000	-	
Allocation	Total Indirect Expense Allocations	30,777,989	31,111,328	31,200,000	31,200,000	-	
	Total Expenditures	53,675,532	53,797,242	54,688,000	54,451,631	(236,369)	
	Margin After Indirect Exp Allocations	6,323,046	5,021,039	4,201,500	4,398,033	196,533	
0%	Less Deferred Maintenance (DM)	-	-	-	-	-	
Formula	Less Contributions to Revenue Reserves	-	-	-	-	-	
15%	Less Central Revenue Pool Participation	8,999,786	8,822,742	8,833,425	8,827,449	(5,975)	
Manual	Plus Central Revenue Distribution*	2,676,740	3,801,703	4,631,925	4,631,925	-	
	Ending Unit Margin	-	-	-	202,508	202,508	

At year-end, an actuals model is created to analyze budget vs. actuals for potential carry forward discussions.

