



Budget Model Advisory Group Recommendations

Updated November 24, 2020

Background

The Budget Model Advisory Group was established in Spring 2020 to serve in an advisory role in developing ISU’s new budget model. The group is charged with reviewing, developing, and providing input on budget policies, structures, and practices.

Development of a new budget model for the university is a monumental, multi-year undertaking. As part of this process, the Advisory Group has developed **incremental recommendations** for FY2022 budget implementation. The group will continue to work throughout the coming year to develop a comprehensive all-funds model for FY2023 implementation.

Advisory Group Members

Angie Dangerfield, Unit Business Officer

Jerry Leffler, Faculty Senate Chair, Assistant Clinical Professor

Glen Nelson (Ex-Officio), Vice President for Finance & Business Affairs

Fred Parrish, Unit Business Officer

Lowell Richards, Associate Vice President of Student Affairs

Scott Snyder, Dean

Jennifer Steele, AVP for Budget, Planning & Analysis

Kandi Turley-Ames, Founding Dean

Rick Wagoner, Faculty Senate Past Chair, Associate Professor

Joe Wilcox, Unit Business Officer

Budget Model Development Process

- Principle-Driven
- Agile & Iterative
- Collaborative



Budget Model Principles & Objectives

- Trust, transparency and inclusivity in budget development and administration
- Maximization of University resources
- Budgeting and decision-making informed by strategic plans and priorities
- Budget structures that foster innovation and stewardship
- Growth through mission-focused student recruitment and retention
- Empowerment, mutual accountability, responsiveness, and adaptation at the local level
- Decentralized budget control; deans and directors are responsible for budget planning and execution

Budget Model Development Timeline		Stakeholder engagement and feedback
Fall 2019	Develop principles and objectives	
	Research models and best practices	
Spring 2020	Convene advisory group	
Fall 2020	Develop process and timeline	
	Develop options and recommendations for FY2022 implementation	
Spring 2021	Develop initial comprehensive models and frameworks	
	Conduct additional research and analysis	
Fall 2021	Develop and present model recommendations	
	Develop guidance, resources, policies and procedures	
	Develop assessment plans	
Fall 2022	Analyze and report impact and results	
	Refine and improve	

The complete budget charter and detailed timeline is available on the [budget website](#).

Recommendations and Considerations for FY2022 Implementation

1. Local and Auxiliary Revenue and Expense Budget Accountability

RECOMMENDATION: Reinstate bottom line budget accountability for local and auxiliary funds in FY2022.

Rationale:

- Units have requested that we re-establish budget authority and accountability for both revenue and expense in local and auxiliary funds. This provides them clear direction, and greater autonomy and management oversight in budget administration.
- Empowering units to manage to both revenue and expense assists the budget and controller’s offices in projecting university-wide revenue and expenses throughout the year.

Notes and Discussion:

- Local and auxiliary revenue will drive expenditure budget authority.
- Accountability will be at the UNIT level, not Index level.
- Revenue and expenditure budgets will be updated during the course of the year to reflect substantive changes.
- Units are accountable for ensuring actual annual revenues meet or exceed actual expenditures for local and auxiliary funds.
- We will need to address structural issues with certain local funds (see Additional Notes on page 7).

Local and Auxiliary Revenue and Expense Budget Accountability (continued)

Example 1:

Program A experiences an unexpected increase in program enrollment. Budgeted revenue and expenditures are \$50,000 in FY2022. The increased enrollment will increase their actual revenue to \$75,000.

- The revenue budget will be updated to \$75,000
- The expenditure budget will be updated to \$75,000

Example 2:

Due to unforeseen circumstances, Program X was not able to offer its planned services in FY2022 and will not receive any revenues. Revenue and expenditures were budgeted at \$50,000. The program expended \$7,500 in [sunk] contract costs at the beginning of the fiscal year.

- The revenue budget will be adjusted to \$0.
- The expenditure budget will be adjusted to \$7,500.
- The net effect is that the program will use \$7,500 in fund balance in FY2022.

2. Local Fund Balances

RECOMMENDATION: Continue current (FY2021) practice:

- a) Units may identify and request strategic use of local fund balances as part of their FY2022 budget planning.
- b) Units may request access to unbudgeted fund balances (in excess of current year revenue projections) using the Budget Adjustment Request process, with Admin Council approval.
- c) Units will manage F&A commitments and, if and as needed, work through the Budget Office to update F&A-related budgets. Admin Council approval will not be required for use of fund balance to support F&A commitments.

Rationale:

- We need to provide clarity to units on what, if any, access they will have to fund balances in FY2022.
- We don't recommend substantive changes around fund balance policies for FY2022 as we know these will be discussed and considered as we develop the comprehensive revenue and expense budget model.
- Use of fund balance should support strategic priorities and be considered along with other budget plans and proposals for Leadership Council and Admin Council consideration.
- As F&A expenditures are committed over multiple years, actual expenses might vary from budget estimates during the course of a year. Units should be empowered to manage F&A funds without Admin Council approval.

Local Fund Balances (continued)

Example 1:

Department B has been building a reserve to support essential improvements to its facilities. It submitted a facilities project request for FY2022 and the project received high ratings. The estimated cost is \$32,000.

- Department B will build \$32,000 into its FY2022 budget planner.
- If the project is approved by Admin Council, the \$32,000 will be included in the FY2022 budget as one-time funds.

Example 2:

In January, a lab simulation machine in College S suddenly failed and is beyond the warranty period. This equipment is essential for instructional programming. The replacement cost is \$50,000.

College S can reallocate \$15,000 of its FY2022 operating budget toward the replacement cost.

- College S will submit a Budget Adjustment Request form for \$35,000 of additional operating budget, using (or drawing down) their fund balance.
- If the request is approved by Admin Council, their operating budget will be increased by \$35,000.

3. Salary Savings

RECOMMENDATION: Implement a split of temporary salary savings for FY2022, where units retain 50% and 50% goes back to central. The split will include both salary and fringe.

Rationale:

- This will provide units with flexibility and empower them to make adjustments and strategic investments throughout the year.
- By empowering units to use 50% of their temporary salary savings, we will avoid inefficient bureaucratic budget adjustment requests throughout the year.
- Budgeting 50% as central savings will assist in budget balancing and ameliorate some budget reductions.

Notes and Discussion:

- We can use FY2022 as a test year to analyze the effectiveness of a split for consideration in our final budget model.
- As an outcome of the prior budget reset, units now have rational operating budgets so salary savings should not be relied upon to sustain operating needs. However, units will have discretion to utilize the 50% temporary savings to cover necessary costs in the current year.
- We need to be clear about who will have the authority within units to utilize salary savings. We recommend the Dean/Director level.
- Consistent with Recommendation 1, local and auxiliary units should manage salary savings as part of their bottom line revenue and expense accountability.

Salary Savings (continued)

- We should maintain current practice of units retaining 100% of temporary salary savings from research/buyouts.
- We should maintain the long-established practice of a central classified pool for general appropriated funds.
- Special appropriation (College of Technology, IDEP, Family Medicine, Museum) salary savings will be split to offset applicable general fund expenses. Savings in excess will remain with the unit so as to fully expend special appropriations and uphold policy restrictions.
- Units will retain permanent salary savings as part of their base budget. By maintaining permanent salary savings over time, we will incentivize long-term thinking and strategic decision-making.
- We need to clearly communicate how central savings are utilized. These will be budgeted as a negative salary amount that will reduce the overall University expense budget.
- As we develop a comprehensive budget model over the next year, we need to ensure sufficient oversight of overall position budgets and FTE so that we can maintain fiscal sustainability over time.

Example 1:

Vacant College W faculty PCN 1234 is approved to be filled in FY2022. The permanent budget is \$100,000. A new faculty member is hired for FY2022 with a placement of \$70,000. College W now has \$30,000 plus fringe in permanent salary savings and up to \$15,000 plus fringe in temporary savings to use in FY2022.

- College W uses 50% or \$15,000 plus fringe in for adjuncts in FY2022 (temporary budget)
- College W will have access to the \$30,000 plus fringe in permanent savings when developing its FY2023 position list.

Example 2:

Vacant College W faculty PCN 1234 is approved to be filled in FY2022. The permanent budget is \$100,000. College W now has \$30,000 plus fringe in permanent salary savings and up to \$15,000 plus fringe in temporary savings to use in FY2022.

- College W uses \$10,000 to permanently increase two other faculty lines with fringe in FY2022 (permanent budget)
- College W uses the remaining \$5,000 for services in FY2022 (temporary budget)
- College W will have access to the remaining \$20,000 plus fringe in permanent savings when developing its FY2023 position list.

4. Chargebacks

RECOMMENDATION: Incorporate updates from the Chargeback Charter into the FY2022 budget development process.

Rationale:

- Clarity around chargeback policies and procedures is needed for units to plan FY2022 budgets.

Notes and Discussion:

- The Chargeback Committee is scheduled to finalize recommendations in January/February 2021.

5. NetComm

RECOMMENDATION: Do not implement new NetComm and/or other administrative overhead charges in FY2022.

Rationale:

- We will be determining the best option(s) for administrative recovery for NetComm and other functions as part of the comprehensive budget model.
- It will be confusing and add operational complexity to implement a temporary NetComm/administrative tax in FY2022.

Notes and Discussion:

- We need to review administrative charges for auxiliary units.

6. FY2022 Budget Planning Process

RECOMMENDATIONS:

- a. Develop criteria for FY2022 budget proposal evaluation (e.g. enrollment, workload, program health, strategic priorities, reserve use).
- b. Units present budget proposals to Leadership Council, with opportunity for comment , feedback, and rating.
- c. Admin Council approves budget proposals.
- d. If January's FY2022 projections show a significant deficit that will require budget reductions, ask units to develop balancing proposals **as part of their FY2022 development process**.

Rationale:

- (a) FY2022 budget model recommendations do not address the larger questions of tuition and fee distribution, enrollment-based resource allocation, program health and strategic priority alignment.
- (a) When developing FY2022 budgets, units should be encouraged to propose adjustments based on changes in enrollment or other service/activity levels, plus program health information and strategic alignment.
- (b), (c) Leadership Council, as a recommending body, should provide feedback, recommendations, and ratings for budget proposals. Admin Council will make final decisions.
- (b), (c) Units should be empowered to work within existing permanent expenditure budgets, which were reset in Fall 2019 and adjusted through the FY2021 budget development process.
- (b), (c) Leadership and Admin Councils should review (approve) substantive changes to include strategic investments, cross-functional reallocations, and reductions.
- (d) If cuts or reductions are needed, building them into the initial process will provide less disruption and rework for units, and allow more time for substantive engagement with faculty and staff.

Notes and Discussion:

- The Budget Model Advisory group could develop draft criteria for Leadership Council review.
- We should pursue all options that will mitigate the need for another round of budget cuts. Identify all options and levers available.
- Enrollment Management is developing FY2022 enrollment scenarios and projections to inform budget planning.

Additional Notes

- Program Health action plans will be incorporated into the budget development process over the following several budget cycles.
- Approved Facilities and IT project requests will be built into FY2022 process as applicable.
- We will need to address structural issues with certain local funds.

Example 1: Several Advancement positions are in a local fund that was previously supported by the Foundation. The Foundation is no longer providing support for these positions, so Advancement will either need to find an alternate funding source or move the positions into the general fund.

Example 2: Holt Arena operates as an auxiliary enterprise but requires a subsidy (“rent recovery”) from the general fund in order to break even.

Timeline for FY2022 Budget Model Recommendations

November 4, 2020	Leadership Council presentation and discussion
November 9, 2020	Faculty Senate presentation and discussion
November 10, 2020	Deans Council presentation and discussion
November 17, 2020	Staff Council presentation and discussion
December 1, 2020	Associate Deans presentation and discussion
December 2, 2020	Leadership Council recommendations
December 9, 2020	Admin Council approval

FY2022 Budget Proposal Review

Process:

- Units will provide narratives in support of their overall budget plan.
- Units who request funding in excess of their FY2022 base budget will submit a budget proposal narrative that specifically addresses budget proposal review criteria.
- Units will present their overall budget plans and any budget proposals to Leadership Council in April.
- After all budgets and proposals are presented, Leadership Council members will rate budget proposals (over the following week).
- Results will be shared and discussed at Leadership Council, then forwarded to Admin Council.

Budget Proposal Review Criteria

Reviewers will consider the following criteria in rating budget proposals (funding in excess of base budgets).

<p>Will the proposal increase student enrollment? Directly? <i>E.g. adding capacity for impacted/high growth programs</i> Indirectly? <i>E.g. Increased recruitment efforts</i></p>
<p>Will the proposal increase student retention?</p>
<p>Will the proposal increase access and equity?</p>
<p>Will the proposal increase ISU's research capacity and initiatives?</p>
<p>Will the proposal increase ISU's advancement, economic development, and/or workforce development capacity and initiatives?</p>
<p>Will new revenue be generated as a result of this proposal? Does the revenue meet or exceed new expenditures? Will the revenue be realized in FY2022 or in future years?</p>
<p>Is the proposal necessary to comply with ISU policy, State Board of Education policy, state or federal mandate, or an accrediting organization?</p>
<p>Does the proposal address essential safety, technical, and/or infrastructure needs?</p>
<p>Will the proposal increase efficiency?</p>
<p>Does the proposal address program health recommendations (any quintiles)? Is the program in the lower two quintiles?</p>
<p>Is the proposal related to a Project Charter? Is it a Priority Charter?</p>

Budget Proposal Review Form

For Leadership Council Members

Note: This will be an online form, with the top section prepopulated.

Title:

Description:

Summary description, with link to detailed narrative, supplemental information

Contact for questions or additional information:

Budget Impact	FY2022	Ongoing	Notes
Revenue	\$	\$	
Expense	\$	\$	
Net	\$	\$	

Reviewer Score

Strongly Recommend	Recommend	Neutral	Do not support at this time	Do not support
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Reviewer Comments

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Items for Future Consideration (Comprehensive Budget Model Development)

- I. Revenue Distribution Model
Use a rolling weighted average for any revenue distribution to smooth out YoY variances and anomalies
Consider including new SBoE funding criteria
Consider a split on local revenues
- II. Administrative Recovery
Consider options for implementing administrative recovery (“tax”)
On revenue? On expenditure?
Administrative Fee for Auxiliaries expires in FY2021
- III. Contracted Positions
What should the approval process look like?
How should we handle salary savings on an ongoing basis?
- IV. Research Indirect
Collaborate with the Office of Research to incorporate new research indirect allocations into the comprehensive budget model
- V. Equity and Promotion
Collaborate with the Office of Equity and Inclusion and Human Resources to incorporate equity and promotion salary policies into the budget model
- VI. Policy Review and Updates
Fund balances (negative balances, thresholds)
Carryforward
- VII. Capital Budgets
Consider establishing a capital budget for the university
- VIII. Capital improvement/repair funding for facilities
Currently, facilities and IT services need to request funding for essential capital improvement/repair/deferred maintenance through the project request process. This process applies an academic-focused rubric to all projects. As a result, facilities projects rarely get funded, creating a growing deferred maintenance backlog and liability.
- IX. Strategic Investment Fund
IF possible, identify a strategic investment fund for FY2022 that can be used for:
Investment requests during the budget development process
In-year strategic opportunities and/or contingencies
This fund could be built into the initial budget and/or funded through central salary savings.