Jennifer S: Hello here from Idaho State! I am joined by members of our budget advisory group. Today we will go over a comprehensive budget model for the university. We will have time for some Q&A. As Patience mentioned this session is being recorded for those who are unable to participate in person.

Kelly and Patience will be the facilitators and moderator today and will post instructions for how to ask questions. We also have a link where you can share your thoughts and ideas at any time. Before we get started, I am going to pass it over to the president to talk about the why!

President: Thanks Jen, appreciate it. Sorry about the lighting I am at a hotel for some meetings. Thank you to Jen and the budget model team, everyone has done a great job. This has been a long effort almost for the last four years, but especially since Jen has gotten here. On thing we have to do is make sure we have a budget model that is transparent, and that people know where the money comes from and what can be done with it.

One of the things we must eliminate is when people are not aware of where the money is, and how to access it or where it comes from, or how the budget is set. As a public institution budget transparency is critical for our future. And how we develop our strategic plan. We need to maximize our resources and how we are going to get there.

We want to have informative budget decisions so we can set goals on how we want to go forward. We want to put our resources where our mission is. And we want to grow and help students better their lives and education. The purpose is to bring everyone together and create a mutual accountability.

That has been the plan all along with creating a transparent and trusted business model, and I know that this team has been working towards that. I appreciate everyone that has been a part of building this plan, working towards that goal. So, Jen and to everyone on the team, thank you and thank you to everyone working on this.

Jennifer S: Thanks a lot Kevin! We just talked about the why, I want to point out there are icons that we have made that relate to each principal and objective, they are represented by those icons on the left. Next, we talk about the how.

We are principal driven, agile, and collaborative. So, for example we are on version 12 on some of the things we will review and will continue to change. Our work is being led by the budget advisory group and we have a lot of support from different resources such as NACUBO so we can look at best practices. We work with each college division and talk about model and have conversation about elements and impacts.

We plan to bring the recommendation to leadership council in November, and we are still in the testing and impact stages and want and welcome your feedback.

This graphic illustrates the different elements of our model. The roots are what we are calling our foundational elements, the leaves are the model drivers and variables. These are the things that can impact budget allocation. We will go through the elements today. I do want to point out we have detailed white papers for each of these elements, so you can really drill in and get additional insight if you would like.

Now let’s get into the foundational elements. The first thing we did was to codify our fund structure and acknowledge our major fund types. We created the central university fund, including the fees and non-departmental revenue and expenses such as interest income, grant indirect, vending revenue and the like which used to be in finance locals but really belong to the University.

This new fund houses central expenses such as debt services, our educational technology services and netcom. Now when we are forecasting, we can track using this fund for structural surplus or deficit, because the other fund types of self-balance over time in that we manage our expenses directly do revenue.

We have also drafted new budget policies and they will go through the university policy process. It establishes minimum balance thresholds in alignment with policy. For those that fall below the thresholds, units will be required to adapt a replenishment plan over three years. And for excess they will connect the surplus to a strategic investment plan. Funding capital projects or expansion plans.

They apply the central University reserves, if it exceeds, we will have a campus conversation on what we want to use them for, such as investing in projects or priorities or do we want to save them for a project or capital investment? For the appropriated funds we propose that units have access to 100% of salary savings instead of the 50% split. As well as having access to the classified vacancy savings.
We also have guidelines that units can transfer grant expenses for clean ups and corrections, as well as allowing units to request carry forwards. For example, if we ordered computers that were delayed and we did not get them in time, we can request the budget is carried forward into the next academic year.

We are also trying to establish the budget advisory group which would be responsible for recommending the annual budget development, reviewing quarterly financial reports, provide input on financial forecasts and projections, assessing the effectiveness of ISU’s budget model, and recommending improvements to budget reports.

Next, sorry this is small, but we want you to see, this is the standard template with the revenue and expense categories. It has three years of actuals and then our current year budget, and when possible, the in-year forecast. Angie and I will work on that the next month or so.

Then it shows the base budget in the planning cycle and show where our movements and resources are going. Then we are looking to project the additional two years to expand the financial horizons. We can also run it for the central university fund, or you can run it for your program or department.

We also propose we have a five-year capital budget to help better track depreciation and our budget. It will help with our DPW or Unit CapX plan.

We also suggest a support process for our deferred maintenance and strategic investment which will be support from the academic rubric.

Then we created a fund balance report which helps us to know what our cash balances are at the end of each year. It shows us how the reserves are trending and if we are in compliance with policy. We are growing down as we are trying to grow out of our enrollment decline.

The final foundational peace we did was creating a data set that has 6 years of longitudinal data for every level, college, or unit. We have the same data across the University. These are the elements. I will walk you through an example, but your dean has a copy of your data set and can go through it with you if they have not already.

This template is the same for everyone but if you don’t offer courses, you don’t have credit hour data. So you can see how we are trending as a university in all the listed categories. Then in this example academic department you show the credit hours generated by the department on an annual basis, as well as backing out in early college. And unduplicated annual student headcount.

It also shows actual hours paid and work, allowing units to see the resources available to them broken out by employee class. This next section shows actual student enrollment and pay, and attribute it to each academic program. It is based on the actual pay type and allocated it to all the colleges in this model.

Also, if we receive line-item funding for a particular program it is shown here. This one for example had that funding. We are also showing F&A or grant indirect that went to support the library, grants and accounting etc.

And then finally funding through general tuition and fees are shown here. Direct fees is probably class fees or direct revenue that went into the account. Then the total personal cost. That funding is shown in the grad school but is a resource that went in this unit.

Then operating expenses that directly went into the unit. This shows allocating and direct revenue in less direct spaces. There is no inherit value in here it is just a construct for our data set.

You have some ratios here that can be useful in trend analysis, and finally departments and units can add up to five-unit specific measures. For example, you can do student sessions, work force outcomes etc.

Now before the models and drivers, do we have any questions?

Patience: There are not.

Jennifer S: A few important things, there is no inherit value and colleges are important for understanding and analyzing the data. What is trending well, what do we need to dig into and what are the opportunities for improvement, it all depends on you.
Now we get into the variables and drivers, the first thing we are talking about is mandatories, centrally funded, are outside the discretion of an individual department, subject to year over year variation and are greater than 150K annually.

An example is utilities. Last year our natural gas bill increased, and it is housed in facility services. We need to pay that, but facility services should not need to hold positions open. We will tag these as mandatories, and we review them separate from base budgets. They will not be reallocated for other purposes.

Chargebacks, we had a complex web of chargebacks which took a lot of resources and did not add value to the university. We got rid of a lot of those, specifically netcom charges and facility and IT labor charges. This resulted in savings to departments and operating sufficiencies. As part of the package for November we recommend we continue to do this and add a few eliminations.

Now the least popular element, administrative recovery also known as a tax. This is a charge assessed against all units for overhead and administrative costs, some of which are listed here.

We want to create a structure that is clear and consistent and equitably distributed. We won’t reinstate chargebacks and pushed back grant indirect to PIs. Why? It provides a mechanism for acknowledging the real overhead costs without going back to chargebacks or cost allocation structures.

It is a common and best practice. I just got back from a NACUBO conference where several colleges are going be moving to this model. Our units of 1.75% on qualified personnel and 1.25% on qualified operating are on the low end. Most universities are charging 2.5% all the way up to 11%.

When thinking about offsets, remember we will not use chargebacks and you have access to your salary savings and vacancies. You will work with your university to build into your unit recovery plans.

Will it solve the structural budget deficit? No, it is an incremental cost allocation structure, not a balancing lever. Even at a surplus we would be recommending this structure for best practice. This helps people understand there is a true incremental cost with everything we do.

The proposed framework will generate about 3million dollars, and it is about budget natural for the University. Do the proposed rates cover all the expenses? Definitely not, our total central overhead and administrative expenses are about 95million, and this will generate about 3million.

This kind of feels like a budget cut, why not do that? Well one time budget cuts don’t impact auxiliary funds because they are self-balancing, and they don’t reflect increased or discarded activity over time.

We have a model for allocating and re-allocating central resources to colleges to support growth, revenue, research and student funding and successes. These are the drivers for the models, and we have done a lot of research to make sure it follows those.

We have a smoothing factor that prevents a reduction more than 2% in any year. The way we have constructed it is a very gentle and predictable allocation process.

Strategic investments, first identify if funding is available. If we look at the forecast for tracking this and next year, plus the central university reserves that will tell us if we have funding available. We want to fund one-time investments and multi-year.

Let’s look at a few examples. In the first one the college is growing; their contribution margin is growing and an increase in graduation headcount. Based on the current model they would receive an administrative recovery of $192,500 which is offset by eliminated chargebacks. They receive an additional college allocation of $188,900 for a net increase of $396,400, or 3% prior to strategic funding.

In the next example the college is down 3.8% and the contribution margin is declining along with their graduation headcount. Their research expenditures are up by 5%. In this case they would have and administrative recovery of $214,00 offset by eliminated chargebacks and salary savings no longer split with central. They would receive a decrease of $160,300 based on their college allocation drivers for a net decrease of $19,500. Or 1/10th of 1% prior to investing.

In the third example we have a service unit they would be assessed $145,500 on administrative recovery, again offset by chargebacks and salary savings and the net impact is a positive $16,500 or a positive of
You’ll see we have NA next to mandatories in these, as any increase to mandatories would be offset by increased expenses. Same with decreases. We are looking at this with detail with every unit in our meetings so we can talk about impact analysis.

Before we open for questions, here is the timeline. We will be bringing any preliminary recommendations to the leadership council on November second and will have the whole month of November to do any final revisions. We will bring it to the administrative council on December 7th and we will launch our fiscal 2024 budget development process training, reports and resources in January of 2023.

Even if all our recommendations are approved this cycle, we have already identified items to work on for the coming cycles. We want to review this budget and look at the service unit allocation model. We want to establish contingency budgets, a central market and equity fund, and we also explore benchmarking resources so that we can compare like programs and services to peers across the country.

We also want to make the data set more accessible to you. This final slide shows the alignment with our principals to the project charter. Are there any questions or comments.

Kelly: There is one, how can I see my departments data?

Please reach out to your UBO or deans or director.

**Question:** Will this solve the structural budget deficit.

**Answer:** As some of you know we have been working on closing the deficit for the past three years. We started with about a 12 million dollar deficit, and strategy this year we are estimating about a 4-million-dollar deficit, so we have taken a measured and gradual approach to try to work our way out of the budget deficit.

None of the elements in this model are designed to solve it, but we want to move forward in a sustainable fashion. For the budget deficit we are going to be reviewing our outlook once we can see fall enrollment and see how we are tracking for the budget, and then we will be looking at our forecasts. It is to help us achieve long term fiscal stability.

**Question:** Who is on the budget model advisory group?

**Answer:** This is a great group; we have been meeting regularly for over 2 years. Angie, Jill and Fred, we have deans, Candy, Scott, Shane, Lyle from academic affairs, we have Cindy who is helping to connect with other future planning, Dan and Colden from faculty senate, Rick and Jerry, Lole, from student affairs, and Theresa representing staff, we are also working with Zane to get a student representative.

**Question:** When will this go into effect?

**Answer:** Any recommendations that are approved in December will go into effect on July 1, 2023. We will start that process in the January/February timeframe so that people know how to approach their budget.

**Question:** Is employee engagement, for example the bingo community, part of administrative centralized expenses.

**Answer:** I think there is a lot of people and departments across campus that are involved in separating that direction and goal, and a lot are funded on the central University fund. There are people in HR, the president’s office, and a lot are funded by the central University funds.

Those are all the questions we have had.

Okay, well this was a lot of information, please don’t hesitate to reach out if you have questions that pop up after you review your data set or if they pop up at all. There is also the feedback form on the website. Thank you so much for your time and have a wonderful fall afternoon.