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As part of the effort to advance the implementation of the 2015-2020 Strategic Plan, President Rossbacher charged the University Resource and Planning Committee (URPC) to develop a strategic budgeting approach for HSU by the end of the 2015-16 academic year. The URPC was asked deliver on key outcomes, including developing guiding principles, definitions, and policies to support strategic budgeting, recommending a framework to evaluate existing base budgets and align resource allocations with strategic planning, integrating institutional data and assessment with resource requests, and establishing a reserve policy.

Dennis P. Jones, the President Emeritus of the National Center for Higher Education Management Systems, met with the URPC this fall and introduced the concept of strategic budgeting as a mechanism to build and protect institutional assets. The discussion Mr. Jones began resulted in the development of this document, intended to provide the campus with an overview of the concept of strategic budgeting, guiding principles, and the key categories.

Additional information will be shared with the campus throughout the spring as the URPC continues to develop the framework and processes needed to support strategic budgeting.

URPC agendas, minutes, reports, and budget planning activities are available online at humboldt.edu/budget/urpc.

What is Strategic Budgeting?

Strategic Budgeting is a rolling five-year process. It is a way to think about directing the resources to maintain/improve the assets and the outcomes. It focuses on the strategic priorities of the university and investing in our people, place, programs and students. Best when combined with goals of the Strategic Plan, it can work with some institutional goals more generally. Strategic budgeting helps us achieve strategic goals by identifying resources within the institution that are not getting the highest return on investment and redirecting them.

In the absence of a plan – **the budget is the plan**

If a plan exists and it is not closely linked to the budget – **the budget is still the plan**

Therefore, if a plan is to be implemented – **there must be a strong linkage between the plan and the budget¹**

The concept:

- The strategic plan articulates an institution's top priorities. However, university budgets tend to be incremental and allocated according to the organizational chart rather than by university priority. This results in a tendency to maintain existing operations rather than provide opportunities for investment in strategic priorities.
- When building a budget, institutional assets should be central to the process.
- Fiscal decisions should align with the institution's mission and long-term goals, investing first in strategic priorities through a transparent, intentional process.
- Such a method of allocating resources helps guarantee the long-term capacity and health of the institution.
- **A strategic budget is *not just* a budget; it is the strategic plan in number form.**

Why Strategic Budgeting?

- To align our budget with our strategic priorities
- To improve student learning and success
- To strategically invest in our institutional assets
- To ensure we are using resources efficiently and effectively
- To implement evidence-based budgeting linked to assessment, as required by WASC

The application:

- Invest in our strategic priorities (set aside funding for this first)
- Invest in our institutional assets
 - Faculty, staff, administrators – employees are our greatest asset
 - Programs and curricula
 - Students – educating students is our core mission
 - Facilities, equipment, and collections
 - Brand – the promises we make and keep
- Consumables
- Sustain and support our future
 - Contingency and reserves

Guiding Principles

Pervasive: Strategic Budget should happen at all levels of budget management, although how it works will be different at different levels.

Balanced: Expenditures should not exceed revenues.

Strategic: The budget should be constructed both to cover current costs and to provide for strategic reinvestment to enhance existing programs and to achieve Strategic Plan goals.

Creative: New approaches to university processes must be explored to free up existing resources. This is a continuing requirement. Centralization of decision making should not reduce innovation.

Multi-Year: In many cases, a multi-year approach will be needed to achieve funding goals. Clear timetables and goals will be required.

Goal-Driven: Assessment and feedback loops must be built in so that the rolling 5-year Strategic Budget can be implemented and based on results.

Revenue Planning Principles

Clear, Transparent, Complete: All sources of money should be identified, and the rules and guidelines for spending each source of funds must be clearly stated. This will allow better understanding of the whole range of possibilities, better use of the whole array of funding sources, and eventual attainment of strategic goals.

Realistic: Estimates must be conservative. (Don't spend it before we see it.)

Dynamic: There should be a plan for updating estimates and projections regularly. Update at least annually based on federal, state and CSU information.

Expenditure Planning Principles

Sustainable Success: Allocate base budget money for ongoing commitments. If pilots are successful and are to be continued/sustained, then they must be in the base. Identifying ineffective or inefficient practices so as to reallocate resources devoted to them must be an ongoing strategic budgeting practice.

Longer-Term: The Strategic Budget plan can have goals stretched out over several years if the percentages or amounts cannot be achieved in one year without great disruption.

Invest in Priorities: Take money off the top to invest in strategic assets or activities.

Safeguard assets: Have an annual base contingency. Build a longer-term reserve fund.

Measure Performance: Regularly assess performance in all categories. CSU, WASC, and HSU metrics all must be addressed.

Investment in Strategic Priorities – 2%

Funding should be set aside for this first, by intentionally leveraging the first 2% of the operating budget to carry out strategic plan goals, e.g., pilot projects and new initiatives.

Continuing and Sustaining Strategic Assets

Facilities: Industry best practices recommend investing 2% of the current replacement value (CRV) on an annual basis to maintain and improve campus facilities.

Equipment, including Information Technology (IT): This is a wide category of equipment, including IT, that is used to run the institution. Continuous replacement and changing of the information infrastructure requires a significant amount of funds on a regular basis.

Collections, including Library, Sciences, Arts: Scholarly collections in libraries and academic departments are important assets and need updates on a periodic schedule.

Personnel: Human capital is a major campus resource - this is the productive element in the University. It has three components: faculty, staff and administrators. In addition to personnel costs, additional funding should be invested to develop and grow personnel.

Programs (Curricula): This is a key asset category but a hard one to define. The idea is that money should be set aside each year to thoroughly examine the curricula and to work with faculty on curricular development.

Students: This category represents investments made in students. Examples include scholarships/grants and employing student assistants.

Brand: The University's brand is an intangible asset that invokes its core mission and promise to its audiences. It can be enhanced and protected through various tactics, including communications, outreach, and specific projects to showcase the brand.

Consumables

This category represents short term purchases, such as insurance, service contracts, utilities, and supplies. While there is more flexibility with this category, many consumables reflect recurring costs to the University.

Contingency/Emergency

A base-budgeted percent of the expenditure budget each year. (Protects against raiding other budget categories to fund true emergencies.) Funds not spent should go into the longer-term reserve fund.

Reserves

Unspent contingency should go into reserves every year. Reserves should include operating reserve, deferred maintenance reserve, and capital improvement fund (university match for new capital improvements as required by the CSU.)