

Strategic Budgeting (SB)

SB Description

SB is a rolling 5-year process. It is not just a budget, it is a strategic plan with numbers. It is a way to think about directing the resources to maintain/improve the assets and the outcomes. It is about focusing 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 (SP), but can work with some institutional goals more generally. The key notion is maintaining flexibility to manage toward acknowledged results and not give it all away through routine annual budgeting. Annual (or more frequent) updates of projections of funds from all sources must be part of the SB process.

The basic plan is to identify the resources within the institution that are currently not getting the highest return on our investment and to redirect them toward achieving SP goals. There are many resources that could be used more efficiently and effectively by improving our processes, streamlining our approach, grouping similar types of activity, and discontinuing work that does not add value. SB can help us find the value-added approaches while achieving our SP goals.

SB Principles

Guiding Principles

PERVASIVE: SB should happen at all levels of budget management, although how it works will be different at different levels.

BALANCED: For long term and annual budgets, 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 achieve SP goals.

CREATIVE: New approaches to doing business must be explored to free up existing resources. This is a continuing process!

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 SB can be implemented and revised based on results.

Revenue Planning Principles

CLEAR AND TRANSPARENT: Be clear about the sources of the money and what the rules are for each source of funds. This will allow better understanding of the whole range of possibilities, and better use of the whole array, and eventual attainment of strategic goals.

REALISTIC: Estimates should be conservative. Don't spend it before we see it.

DYNAMIC: There should be a plan for updating estimates regularly. Update annually based on federal, state and CSU estimates and economic drivers.

ADAPTIVE: There should be a plan for what to do with new revenue in case any shows up. Don't spend it before we see it. There should also be a plan for what to do if the money does not show up. Best to build in up front. And project enough in advance so that you have time to cope. This is what contingency and reserves are for.

HOLISTIC: Need the list of all the funding sources. (URPC to work on next meeting.)

Expenditure Planning Principles

SUSTAINABLE SUCCESS: Allocate base budget money for ongoing commitments. If pilots are successful and are to be continued/sustained, then base budget money must be allocated to them. New allocations for successful pilots will change the size of the "pie slices." The work of looking for ineffective or inefficient practices so we can stop doing them and reallocate the money more strategically will be on-going. This will need to become a permanent new way of reviewing and re-basing our strategic budget.

LONG-TERM: The SB plan can have goals stretched out over several years if the percentages or amounts can't be achieved in one year without great disruption.

INVEST IN PRIORITIES: Take money off the top to invest in strategic assets.

SAFEGUARD ASSETS: Have an annual contingency fund. Build a longer-term reserve fund.

MEASURE PERFORMANCE: must have regular ways to assess performance in all categories. This will require a lot of thought and discussion. The CSU targets have to play a central role in our own metrics. WASC requirements also.

SB Categories – the list and some observations

Investment in Strategic Planning Priorities –2% ("Special Pilot" Bucket)

-Innovation, experimentation, rewards, incentives

Take off the top. Use intentionally, not a slush fund. Tie to SP. Solicit ideas broadly. Don't use for recurring expenses. How to tie the Strategic Planning Priorities to the Strategic Plan is a whole other topic of discussion! (See later in this document for some beginning ideas.)

Continuing and Sustaining Strategic Assets ("New Routine" bucket)

Most of the budget still lives here. It is important to be strategic when determining the relative size of each asset allocation – each "slice of pie." The simplest thing would be just to replicate what we have today, but we can't do that and accommodate the need for new SB categories. We must work at determining what makes sense for the future, and re-balance among the assets, reducing some and increasing others.

With assets, also must consider:

Quantity (a good place for benchmarks such as sq ft, fte, etc.)

Type of asset within asset class (e.g., fac, staff, stu serv; IT, lab equip, etc etc etc)

Quality of asset – need to determine, not just say “highest” -- what is appropriate for us?

For the function? What can we afford? What are the trade-offs?

Levels of use of the asset

Price

Method of acquiring the asset—buy, rent, access or own it, etc.)

a.-Facilities/Maintenance/Depreciation

2% CRV. Goal over several years. Take off the top. Consider allocations beyond our general fund budget such as capital allocations from CSU, self-support units, auxiliaries, grants, etc. Consider splitting the base allocation among deferred maintenance, routine maintenance, and new facilities programming. (This is why we need to know all possible sources of funding.)

b.-Maintain/refresh equipment, including IT

Take off the top. Create the basic infrastructure for the university including regular updates. Maintain specialized equipment closer to appropriate unit and make them follow a schedule too. Also give regular amounts (maybe small but predictable.) Decide what equipment needs to be included and at what level. (Computers, campus fleet, etc.)

c.-Maintain/refresh collections, including Library

Other collections besides library include Natural History Museum collections, wildlife collections, botany collections, musical instruments, and many others. What is the right level of maintenance and who or what is responsible for maintaining them? Buy assets (e.g., library information) or treat as consumables? Accession/deaccessioning?

d.-Maintain/improve personnel (faculty/staff)

Are key administrative functions getting done? Can some administrative functions be centralized? Is the institution managerially top-heavy? How big does the TT faculty have to be? Which disciplines should be strengthened, maintained, added, allowed to downsize, phased out, etc.? (This is a whole area that will need to be worked on once SB/SP principles are clearer.)

What professional development opportunities are provided for faculty/staff? Are they the right ones for the goals? Do we tie professional development to performance evaluations to give individuals the opportunity to improve in areas that will provide value to the institution and the individual?

e.-Maintain/improve programs

Programs across the institution, including curricula, need to be regularly reviewed. WASC rules? Specialized accreditation needs to be evaluated strategically. Identify

unnecessary duplication, overlap, excess requirements, scheduling and resource implications, etc.

f.-Maintain/support students

Are funds being invested in ways that yield a student body with desired characteristics, e.g., diversity, programmatic interests, etc. Are results of retention and graduation acceptable? Are the support systems currently in place useful to this student demographic?

g.-Maintain/improve brand

Be intentional about the use of our brand , be strategic in our messaging across and beyond the university.

Consumables

Must decide what is going in this category. Is it supplies, utilities, insurance? Annual services? Annual contracts for IT software? Licenses? Other maintenance contracts? Where do temporary personnel go?

Contingency/emergencies

Have a contingency fund. The contingency fund should be a base-budgeted percent of the expenditure budget each year. Funds not spent should go into reserve fund.

Reserves

Have a reserve fund. The reserve fund should have a floor and a ceiling. Unspent contingency should go into reserves every year. The reserves should include an operating reserve to assist with unexpected needs. We should also have a deferred maintenance fund and a capital improvement fund. The deferred maintenance fund would be used for facility infrastructure failure not covered in the deferred maintenance budget. The capital improvement fund would be used as the university match for new capital improvements as required by the CSU.

Some other operational principles – these are how-to's maybe at a lower level than the biggies at the beginning.

Every position vacancy must be re-evaluated for continuation/revision/reallocation every time. Change staffing patterns over time to strengthen institution's capacity to pursue goals.

Other allocation areas, re-evaluate as appropriate. Reallocation to higher strategic priorities, not mindless cutting. Reallocate to improve. Questions to ask: are we getting best ROI for this? Stop/go, centralize/decentralize, consolidate/devolve.

Establish a baseline for university-level funding for key asset classes; specialized needs of any asset should be dealt with at a level of budget closer to the specialized function. And funds allocated to that, too.

If functions/services are centralized to use resources more effectively, then there has to be a commitment for a sustained and defined level of service to units which will receive the newly centralized services. (Expect howling and adjustments.)

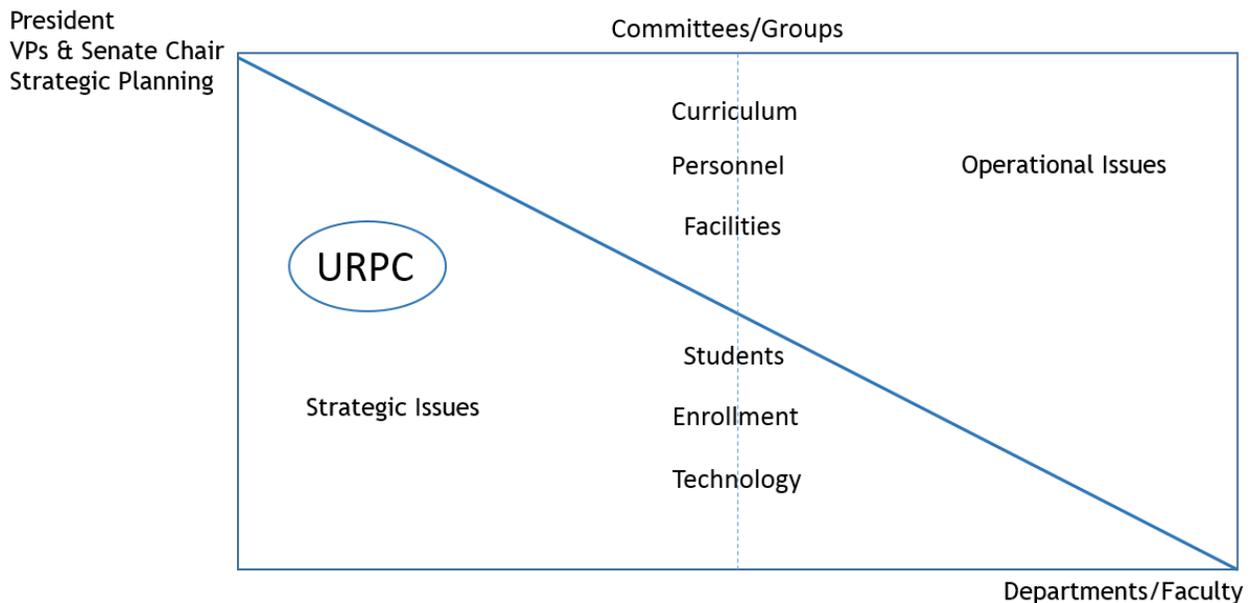
Think strategically about how categories are interconnected (layer cake not pie).

Don't balance budget by depreciating assets.

How does this thing work?

SB does not determine allocation of resources to individual units. It does specify the size of the resource pool for which unit heads compete. It may make the job of unit managers harder because it takes away the easier choices, leaving them with work design, curriculum, business processes from which to find reallocation funds.

And how do we envision this thing working?



Core Group (President, VPs, Senate Chair)

- Develops and communicates strategic priorities
- Works with SB info on both the revenue and expense sides. A collaborative process with URPC as we all figure out how to do this, and set up an initial 5-year set of estimates and plans. Assessments and targets are built in. Lots of dialogue here.
- Drafts budget for URPC review.

URPC

- Establishes strategic budgeting framework, including policies, guidelines and definitions. Updates on rolling 5-yr basis.
- Puts out a budget letter to the campus each fall
- Vets the proposed annual budget. The pres/vps discuss the draft annual budget plan with the URPC. (Examples of topics for discussion: How did we construct the annual budget within the guidelines of the SB? What was accomplished? What turned out to be harder than we thought? What worked and what didn't? What are the assessment measures that we are going to use? What does the URPC advice to improve or revise the draft?)
- Makes a recommendation to the President. Budget vetted through University Senate prior to recommendation (Does Core Group or URPC make the recommendation to Senate? Can it be a joint report?)
- Get periodic reports on the annual budget as it is refining its rolling 5-yr SB framework, within which the next annual budget will also be constructed
- Some of the basic questions to be discussed as we keep working within the 5-yr SB framework: are we meeting our assessment targets? What are new issues we need to pay attention to? What's working and what isn't working?

Departments/Colleges

- Annual budget built from ground up based on SB framework—conduct assessments, identify gaps, submit budget plans/requests
- Annual budget flows through budget process from dept/college/mbu to division and university.

Expert Groups and Existing Committees

- Need to define how they fit into this process

Assessment

- Need to build out connection and interaction between SB and assessment

Integrated planning, budgeting and assessment process can help to ensure that we are all rowing in the same direction, and know we are in the same boat.

A possible picture:



Final Topic

And now on to the \$64 question. How do you decide about the SP priorities? Now that you have the goals, and possibly some money thru the SB process, how to choose which ones to implement? WHERE WOULD WE LIKE THIS DECISION/DISCUSSION TO HAPPEN? Needs to happen in tandem with the rolling 5-yr SB process????

Observation #1. Some of the SP goals can be made to happen within the regular annual budget process of maintaining and improving assets, and they have to. (This is the “new routine” bucket.) Where, don’t know. Need to have an explicit list of the SP goals. But sometimes goals can happen through a reworking of the basic processes. Curriculum, culture, behaviors, processes, assignments.

Observation #2. Some of the SP goals are going to need special investments and special pilots. (This is the “special pilot” bucket.) Need to be planning in advance what the outcomes should be, how the inst will deal with them if they work, and what will happen if they don’t work. Special pilots still have to happen in the institutional context, and that has to be planned for. Maybe backfilling, maybe other actions, other staffing.

This means to us that the SP as we have it now needs to be culled through for a few items to be highlighted for choosing the SP priorities. And then we have to decide what goes in the “new routine” and what in the “special pilot” buckets. And then a 5-yr plan needs to be drawn up.