Boise State University

Bronco Budget 2.0
Overview
4.13.17

Ken Kline
AVP, Budget and Planning
Why Change?

- **External factors**
  - The University’s instructional budget has shifted from a state-funded model to a student-funded model
  - Increases in state support per student is not keeping up with inflationary increases
  - In an attempt to control affordability, the Idaho State Board of Education has imposed tuition caps that restricts tuition increases to just what is sufficient to cover CEC and benefit rate increases, leaving no funding for inflationary increases or new investments
  - Increased competition for students, particularly non-residents, as well as concurrent enrollment, necessitates an emphasis on enrollment management

- **Internal challenges**
  - Historical budget allocations are not clearly rationalized
  - Strategic reallocations are difficult to identify and evaluate
  - Size and complexity of the organization and the budget has grown making it more difficult to manage centrally
  - Financial planning and academic planning are out of alignment providing incomplete information for decision makers
State and Tuition Funding per Annual FTE Student
in 2015 Dollars

Total Funding per Student FTE
State Funding per FTE
Tuition Revenue per FTE

Note: HEPI inflation adjusted; annual FTE students from SBOE enrollment and credit hour data report
State Contribution to Revenues

Source: University Financial Statements

<table>
<thead>
<tr>
<th>Year</th>
<th>All Other Sources</th>
<th>State Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY09</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>FY10</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>FY11</td>
<td>77%</td>
<td>23%</td>
</tr>
<tr>
<td>FY12</td>
<td>79%</td>
<td>22%</td>
</tr>
<tr>
<td>FY13</td>
<td>82%</td>
<td>18%</td>
</tr>
<tr>
<td>FY14</td>
<td>80%</td>
<td>20%</td>
</tr>
</tbody>
</table>
Challenges with BSU’s Incremental Budget Model

- Revenues are managed centrally while the activities that generate revenues are primarily managed in the Colleges.
- Leaders compete for a finite amount of incremental resources to increase budgets within their area, if incremental resources are available in a given year.
- Budget is focused on controlling expenses.
- Inconsistent negotiated agreements have been implemented to try and address limitations which may be creating unintended incentives.
- Units historically-based “permanent” budget rolls forward each year with limited adjustments (compensation increases, benefits).
- Strategic re-allocations are difficult and the focus is on annual, short-term decisions rather than on long-term plans.
DESIGNING THE BUDGET MODEL
Bronco Budget 2.0 Steering Committee

1. Marty Schimpf, Vice President, Academic Affairs and Provost
2. Stacy Pearson, Vice President, Finance and Administration
3. Ken Peterson, Dean, College of Business and Economics
4. Amy Moll, Dean, College of Engineering
5. Tim Dunnagan, Dean, College of Health Sciences
6. Richard Klautsch, Chair, Theater Arts / Faculty Senate
7. Brian Wampler, Chair, Political Science / Faculty Financial Affairs
8. Teresa Boucher, Interim Chair, Communication
9. Brett Shelton, Department Head, Educational Technology
10. Shawn Benner, Professor, Geosciences
11. Randi McDermott, Chief of Staff, President’s Office
13. Shari Ellertson, Director, Institutional Research
14. Ken Kline, Associate Vice President, Budget and Planning
15. Harold Blackman, Associate Vice President for Research and Economic Development
16. Jeremiah Shinn, Interim Associate Vice President for Student Affairs
What other schools are taking this approach?

The negative effects of the struggling economy have considerably increased the frequency with which universities are undertaking comprehensive budget redesign initiatives.

Nearly one-quarter of US public doctoral universities have moved to some form of incentive-based budgeting. Many more institutions (public and private) are in the process of adopting such a model. Among the major doctoral institutions using some form of IBB are:

- American University
- Auburn University
- Brandeis University
- California Institute of Technology
- Clemson University
- Duke University
- Florida International University
- Harvard University
- Indiana University
- Iowa State University
- Marquette University
- Northeastern University
- Ohio State University
- Purdue University
- Syracuse University
- Temple University
- Texas A&M University
- Texas Tech University
- University of Alaska
- University of California-Davis
- University of Connecticut
- University of Delaware
- University of Florida
- University of Illinois
- University of Iowa
- University of Michigan
- University of Minnesota
- University of Oregon
- University of Pennsylvania
- University of Rochester
- University of Southern California
- University of Virginia
- University of Washington
- Vanderbilt University
- Washington University

Source: Huron Consulting Group

Pace of RCM Adoption Accelerates After 2000

Source: Education Advisory Board

© 2015 Boise State University
Guiding Principles

The model should:

• Promote aspirational goals and a shared purpose
• Deliver transparency, clarity and predictability
• Provide incentives that promote excellence, academic quality and financial sustainability throughout the university
• Encourage innovation and entrepreneurship by assuring direct benefits to units willing to engage in responsible risk taking
• Foster interdisciplinary scholarly and teaching activity
• Provide sufficient resources to support University-wide strategic initiatives
• Allow for informed and forward looking decision-making
• Promote efficient and effective services
Phase 1

- Appropriated budget only (general state appropriation and tuition)
- Changes primarily impact “academic revenue units”
- New budget development processes will be implemented for all units
- Implementation of new budget system and tools / reports will be phased in as resources are made available
- First Bronco Budget 2.0 review committee scheduled for FY22

Phase 2 Considerations

- All funds budgeting
- Administrative and support unit budget structure
- Local budget structure
BRONCO BUDGET 2.0
# Academic Revenue Unit Budget Plan

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Appropriated</th>
<th>Other (e.g. Local)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated Tuition Revenue</td>
<td>$$$</td>
<td></td>
</tr>
<tr>
<td>Direct Revenues and Fees</td>
<td></td>
<td>$$$</td>
</tr>
<tr>
<td>Decision Based Budget Allocation</td>
<td>$$$</td>
<td></td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td>$$$</td>
<td>$$$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>Appropriated</th>
<th>Other (e.g. Local)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Expenses</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td>$$$</td>
<td>$$$</td>
</tr>
</tbody>
</table>
## Tuition Revenue Allocations

<table>
<thead>
<tr>
<th></th>
<th>Domestic Undergraduate</th>
<th>International Undergraduate</th>
<th>Graduate</th>
<th>Online Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCH</td>
<td>$130</td>
<td>$200</td>
<td>$240 SCH</td>
<td>Varies</td>
</tr>
<tr>
<td>Major</td>
<td>$800</td>
<td>$1,600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Degree</td>
<td>$2,000</td>
<td>$4,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Values will remain relatively stable and considered for periodic adjustments. Tuition rate increases will most likely be used to fund the annual compensation increase process (CEC) and benefit rate increases.
BB2.0 Portion of Overall Budget

FY17 “All Funds” Budget

- State General Funds: 29%
- BB2.0 Tuition and Fee Allocation: 21%
- Other Tuition and Fees: 9%
- Other Student Fees: 12%
- Federal Grants and Contracts (excl. Pell): 9%
- State Grants and Contracts: 2%
- Private Gifts & Grants: 9%
- F&A Recovery: 1%
- Other: 8%

BOISE STATE UNIVERSITY
Tuition Revenue Allocation Notes

1. Tuition allocations will be based on projections approved by the Provost / VPFA / Budget Committee
   – Instruction based on total student credit hours instructed in Fall and Spring terms
   – Major based on the average # of undergraduate majors, Fall and Spring terms
   – Summer will remain separate following a similar allocation model for SCH instructed

2. Once approved, the Academic Revenue Unit budget plan tuition revenue figure will remain unchanged throughout the year in order to provide stability
   – May be adjusted in the event of a mid-year state budget cut, significant shortfall in actual revenues, or other unanticipated events that have a significant financial impact
   – Failure to hit projections will be addressed from the Academic Revenue Unit’s reserves and/or decisions made during development of the subsequent fiscal year
   – Exceeding projections will typically result in a contribution to the Academic Revenue Unit reserves
   – Summer will remain separate from an Academic Revenue Unit budget plan

3. **Allocations are made to the Academic Revenue Unit, not the Department**

4. Students with multiple majors / double degrees that cross academic revenue units will be counted as one major / degree in each academic revenue unit
Common Misperceptions

1. The budget model is not the university’s mission, vision, or strategic plan
   - The budget model by itself should not influence the academic decisions you are making in support of the mission of the university
   - The budget model is a way to better align resource allocations with changes in enrollment patterns

2. The budget model is not a cost accounting tool
   - The budget model provides a incomplete financial view when used for analysis
   - At the College level, the model can be used as a tool to provide a practical estimate of marginal revenues and marginal costs that we hope to be sufficiently valid for decision-making at the College level
   - At the Department and Program level, the model is very limited in it’s ability to be used to assess financial performance

3. The budget model does not inform university values

4. The budget model is not the reason behind everything that is changing
   - Communication and language can either support or undermine the new budget model initiative
## Level of Incentive Comparison

<table>
<thead>
<tr>
<th></th>
<th>UC Davis 2016-17 Amounts</th>
<th>Boise State 2017-18 Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Undergrad SCH</td>
<td>$85</td>
<td>$130</td>
</tr>
<tr>
<td>Value of Int’l Undergrad SCH</td>
<td>$85</td>
<td>$200</td>
</tr>
<tr>
<td>Value of Undergrad Major</td>
<td>$1,772</td>
<td>$800</td>
</tr>
<tr>
<td>Value of Int’l Undergrad Major</td>
<td>$1,772</td>
<td>$1,600</td>
</tr>
<tr>
<td>Value of Undergrad Degree</td>
<td>$2,199</td>
<td>$2,000</td>
</tr>
<tr>
<td>Value of Int’l Undergrad Degree</td>
<td>$2,199</td>
<td>$4,000</td>
</tr>
<tr>
<td>Value of Summer SCH</td>
<td>$94</td>
<td>$130</td>
</tr>
<tr>
<td>Value of Graduate SCH</td>
<td>n/a</td>
<td>$240</td>
</tr>
</tbody>
</table>
Other Outstanding Issues

• Maintaining and Improving Quality
  – Discussions regarding efforts to maintain and improve quality will annually as part of the annual budget development process
  – Metrics that might indicate a potential concern will be identified, monitored, and discussed along with budget plans and strategic priorities for the academic revenue unit
  – Faculty Senate Academic Standards Committee is tackling the issue
Communications

- Working documents have been published which describe recommendations
- Email for questions: [broncobudget@boisestate.edu](mailto:broncobudget@boisestate.edu)