Boise State University

Bronco Budget 2.0
New Budget Model Initiative

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Why Change?

External factors
- Decreasing state support per student
- Tuition caps in an attempt to control affordability
- Increased competition for students and a changing student demographics
- Expanded market-driven graduate and non-traditional programs
- New and expanded compliance requirements and inflationary costs

Internal challenges
- Historical budget allocations not clearly rationalized
- Strategic reallocations difficult to identify and evaluate
- Size and complexity of the organization and the budget has grown
- University’s instructional budget has shifted from a state-funded model to a student-funded model
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>Fiscal Year</th>
<th>All Other Sources</th>
<th>State Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY09</td>
<td>68%</td>
<td>32%</td>
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<tr>
<td>FY10</td>
<td>73%</td>
<td>27%</td>
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<tr>
<td>FY11</td>
<td>77%</td>
<td>23%</td>
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<tr>
<td>FY12</td>
<td>79%</td>
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<tr>
<td>FY13</td>
<td>82%</td>
<td>18%</td>
</tr>
<tr>
<td>FY14</td>
<td>80%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: University Financial Statements
Resident Tuition Caps

Resident Tuition & Fees % Annual Increase

- 04-05: 0.0%
- 05-06: 2.0%
- 06-07: 4.0%
- 07-08: 6.0%
- 08-09: 8.0%
- 09-10: 10.0%
- 10-11: 12.0%
- 11-12: 10.0%
- 12-14: 7.3%
- 13-14: 6.2%
- 14-15: 5.0%
- 15-16: 3.60%

$1.2M tuition revenue
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.
What are some of the features we are looking for in a new budget model?

• Focused on both revenue and expenses
  – Recognizes that there is a cost to instruct a student as well as a cost to support a student in their major
  – Supports transdisciplinarity

• More decentralized than current model
  – Decisions are made closer to the source of revenue generation to allow for more informed decisions

• Retains elements of central control
  – Provides funding for strategic priorities and promotes strategic alignment
  – Addresses cross-subsidization and differences in cost-of-instruction

• Transparent
  – Budget structure that is easy to understand and organized around colleges and schools
  – Cross-subsidies are understood and intentional

• Includes incentives
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\(^1\). Many more institutions (public and private) are in the process of adopting such a model. Among the major doctoral institutions\(^2\) 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 New Hampshire
- 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

Source: Education Advisory Board

\(^1\) Source: Academic Impressions webcast, "Moving to a Responsibility-Centered Budget Model, Session 2"


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How Do We Go About Changing the Budget Model?

- **We Are Here**
  - Form a Committee

- **Principles**
  - Reflects the overall resource management philosophies of BSU that guide budget model development.

- **Model Structure**
  - Determines the elements that will be incorporated in the budget model and how admin units will be accounted for.

- **Allocation Rules & Incentives**
  - Defines how revenues and/or costs will be allocated to reflect the budget plan for the institution and to provide the desired incentives.

- **Exceptions**
  - Adjustments made to address unique situations that do not fit into the budget model

There will be opportunities for feedback throughout the process!
Preliminary Committee

- Marty Schimpf, Vice President for Academic Affairs and Provost
- Stacy Pearson, Vice President for Finance and Administration
- Ken Petersen, Dean, College of Business and Economics
- Amy Moll, Dean, College of Engineering
- Tim Dunnagan, Dean, College of Health Sciences
- Richard Klautsch, Chair, Theater Arts / Faculty Senate Representative
- Brian Wampler, Chair, Political Science / Faculty Financial Affairs Representative
- Teresa Boucher, Interim Chair, Communication
- Brett Shelton, Department Head, Educational Technology
- Randi McDermott, Chief of Staff, President’s Office
- Jim Munger, Vice Provost for Academic Planning
- Shari Ellertson, Director, Institutional Research
- Ken Kline, Associate Vice President, Budget and Planning
What is our Draft Timeline?

- New Budget Model Begins July 1, 2017
- July - June Shadow Year
- 2015: Oct – May Model Development Phase
- 2016: May – Dec Implementation Phase
- 2017: Jan – Jun Budget Development
Communications Plan

• Website with updated information including
  – General information and project updates
  – Contact information for questions
  – FAQs
  – Links to other university websites that have transitioned to a decentralized model

• Presentations to campus
  – Specific presentations as we reach milestones in the model development process
  – Available to present, upon request, updates on the project and to answer questions
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THANK YOU